GOVERNMENT ACCOUNTING AND AUDITING MANUAL

VOLUME I

December 19, 1991

COMMISSION ON AUDIT CIRCULAR NO. 368-91

TO: All Heads of Department, Bureaus and Offices of the National Government; Managing Heads of Government-Owned and/or controlled Corporations, Boards and Commissions; Provincial Governors; City/Municipal Mayors; Chief Accountants/Corporate Treasurers; Local Treasurers; COA Directors and Auditors; and All Others Concerned.

SUBJECT: Instituting a Government Accounting and Auditing Manual and Prescribing its Use

The Commission on Audit has in recent years perceived the need to revise and update accounting and auditing rules and regulations embodied in the National Accounting and Auditing Manual and the Revised Manual of Instructions to Treasurers in order to keep abreast with modern trends of government accounting and auditing and progressive legislation on the subject. The endeavor to fill this need now finds fruition in a new Government Accounting and Auditing Manual (GAAM) which is hereby instituted and prescribed for use by all government agencies pertaining to the national, local and corporate sectors.

The Government Accounting and Auditing Manual consists of three volumes, viz:

Volume I — Government Auditing Rules and Regulations
Volume II — Government Accounting
Volume III — Government Auditing Standards and Procedures and Internal Control System

On the main, it integrates pertinent laws and administrative issuances as well as judicial and quasi-judicial decisions relative to the financial operations of Government.

A supplement embodying the procedural aspects on accounting and auditing in local government units will be issued. This supplement will form an integral part of the Government Accounting Manual.

The National Accounting and Auditing Manual and the Revised Manual of Instructions to Treasurers are deemed supplanted and superseded by the new Government Accounting and Auditing Manual and its supplement.

All others Circulars, Memoranda and regulations inconsistent or in conflict with the provisions of the Government Accounting and Auditing Manual are hereby repealed, modified and/or amended accordingly.
This Government Accounting and Auditing Manual will take effect on January 1, 1992.

EUFEMIO C. DOMINGO

Chairman

BARTOLOME C. FERNANDEZ, JR.
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Commissioner   Commissioner

BOOK I. THE COMMISSION ON AUDIT

Chapter 1. The Commission on Audit: Nature of Creation, Powers and Independence

SECTION 1. Creation and conferment of powers. — The Commission on Audit is an express creation of the Constitution of the Republic of the Philippines. The Constitution is the charter that creates the government; it is the supreme law.

The Commission has been granted by the Constitution with express powers, duties and functions in order to effectively carry out the purpose of its creation.

Pursuant to Section 2(2), Article IX-D, 1987 Constitution, the Commission shall promulgate accounting and auditing rules and regulations to govern the administration of the financial resources of government agencies, instrumentalities, and political subdivisions.

In keeping with this mandate, for its primary objective among others, the Commission shall institute control measures governing the receipts, disbursements, and uses of funds and property, consistent with the total economic development effort of the government, and those that facilitate the keeping, and enhance the information value, of the accounts of the government through the promulgation of accounting and auditing rules and regulations (Sec. 25(3) & (4), PD 1445). It shall, accordingly, prescribe the chart of accounts for government agencies (Sec. 113, PD 1445).

SECTION 2. Constitutional and statutory safeguards. — The Constitution explicitly provides for an independent Commission on Audit. It is not appended to the executive, legislative or judicial branch of Government (Sec. 1(1), Art. IX-A, 1987 Const.). Its decisions, orders or rulings on cases or matters brought before it may only be appealed to the Supreme Court on certiorari (Sec. 7, Art. IX-A, 1987 Const.).

It is expressly empowered to appoint its officials and employees in accordance with law (Sec. 4, Art. IX-A, 1987 Const.). Their compensation and allowances are paid directly by the Commission and the nature and scope of their duties and responsibilities are clearly delineated by the law (Sec 22(3) & 43, PD 1445).

The Chairman and the two Commissioners may not be removed from office except by impeachment (Sec. 2, Art XI, 1987 Const.); they serve for fixed terms of seven years each; their terms are staggered in such a way as to lessen the possibility of their appointment by the same President; they cannot be reappointed to a second term, nor appointed in an acting capacity (Sec. 1(2), Art. XI-D, 1987 Const.);
their salaries cannot be decreased during their continuance in office (Sec. 3, Art. IX-A, 1987 Const.); and they are subject to certain disqualifications and inhibitions calculated to strengthen their integrity (Sec. 2, Art. IX-A & Sec. 16, Art. XI, 1987 Const.).

SECTION 3.  Fiscal autonomy. — To further ensure its independence, the Constitution provides that the Commission shall enjoy fiscal autonomy. Its approved annual appropriations are automatically and regularly released (Sec. 5, Art. IX-A, 1987 Const.). Likewise, the Chairman of the Commission may, by law, be authorized to augment any item in the general appropriation for the Commission from savings in other items in the same appropriation (Sec. 25(5), Art. VI, 1987 Const.).

SECTION 4.  Jurisdiction under the Constitution. — The Commission shall have the power, authority, and duty to examine, audit, and settle all accounts pertaining to the revenue and receipts of, and expenditures, and uses of funds and property, owned of held in trust by, or pertaining to the Government, or any of its subdivisions, agencies, or instrumentalities, including government-owned or-controlled corporations with original charters, and on a post-audit basis: (a) constitutional bodies, commissions and offices that have been granted fiscal autonomy under the Constitution; (b) autonomous state colleges and universities; (c) other government-owned or-controlled corporations and their subsidiaries; and (d) non-governmental entities receiving subsidy or equity, directly or indirectly, from or through the Government, which are required by law or the granting institution to submit to such audit as a condition of subsidy or equity. However, where the internal control system of the audited agencies is inadequate, the Commission may adopt such measures, including temporary or special pre-audit, as are necessary and appropriate to correct the deficiencies. It shall keep the general accounts of the Government and for such period as may be provided by law, preserve the vouchers and other supporting papers pertaining thereto (Sec. 2(1), Art. IX-D, 1987 Const.).

No law shall be passed exempting any entity of the government or its subsidiary in any guise whatever, or any investment of public funds, from the jurisdiction of the Commission on Audit (Sec. 3, Art. IX-D, 1987 Const.).

It is clear, therefore, that wherever government ownership or interest in funds and property may be found, state audit is required.

SECTION 5.  Entities within the jurisdiction of the Commissions. — The authority and powers of the Commission extend to the following entities:

a.  National Government
b.  Political subdivisions, provinces, cities municipalities and barangays
c.  Agencies and instrumentalities of the government
d.  Government-owned or-controlled corporations, including their subsidiaries
e.  Other self-governing boards, commissions or agencies of the government
f. Non-governmental entities subsidized by the government, those required to pay levies or government share, those that receive counterpart funds from the government and those that are partly funded by donations through the government (Sec. 16(1), PD 1445).

g. Public utilities subject to rate and franchise audit (Sec. 15(1), PD 1445).

SECTION 6. Relationship of audit and accountability. — Auditing is an integral part of the accountability process in government. It plays a vital role in ensuring sound and prudent financial management by monitoring and evaluating the spending activities of government agencies to keep them within the bounds of law and regulations, and the standards of economy, efficiency and effectiveness.

The concept of accountability is an integral whole, and fiscal accountability is part of, not apart from, the larger accountability of government and government officials to the people. All public officers and employees are accountable to the people for their overt acts, neglects or omissions while in government service.

Chapter 2. Audit Functions

SECTION 7. The conducts of comprehensive audit. — The declared policy of the State that all government resources "shall be managed, expended and utilized in accordance with law and regulations, and safeguarded against loss or wastage . . . with a view to ensuring efficiency, economy and effectiveness in the operations of government" leads the Commission on Audit to adopt comprehensive audit. Financial, compliance and performance audits comprise comprehensive audit. Any other audit is a limited-scope audit or variable-scope audit. Thru this full-scope audit the COA can best determine whether or not the fiscal responsibility that rests directly with the head of the government agency has been properly and effectively discharged (Sec. 2, 25(1), PD 1445).

SECTION 8. Audit of debts and claims. — The authority of the Commission extends to the examination, audit and settlement of all debts and claims of any sort due from or owing to the Government or any of its subdivisions, agencies and instrumentalities (Sec. 26, PD 1445). For this purpose, the Commission shall have the power, for purposes of inspection, to require the submission of the original of any order, deed, contract, or other document under which any collection or payment from government funds may be made, together with any certificate, receipt, or other evidence in connection therewith. If an authenticated copy is needed for record purposes, the copy shall upon demand be furnished. In the case of deeds to property purchased by any government agency, the Commission shall require a certificate of title entered in favor of the government or other evidence satisfactory to it that the title is in the name of the government (Sec. 39(1) and (2), PD 1445).

A debt is a claim passed upon by the proper authorities to be due and collectible. A claim is a mere evidence of a demand for payment of money or property and processed according to law before it becomes a debt.
SECTION 9.  Auditor's Certificate of Balance. — Auditors of all government agencies shall certify the balances arising in the accounts settled by them to the Commission and to the proper treasurer, collecting officer, in such form as the Commission may prescribe, within sixty (60) days from the date of receipt of those accounts from the treasurer, collecting officer, disbursing officer or other accountable officers concerned (Sec. 81, PD 1445).

The auditor concerned shall, at convenient intervals, send a written notice under a certificate of settlement to each accountable officer whose accounts have been audited and settled in whole or in part by him, stating the balances found thereon and certified, and the charges or differences arising from the settlement by reason of disallowances, charges or suspensions. A certificate shall be properly itemized and state the reasons for disallowance, charge or suspension of credit. A charge or suspension which is not satisfactorily explained within ninety (90) days after receipt of the certificate or notice by the accountable officer concerned shall become a disallowance unless the Commission or auditor concerned, in writing and for good cause shown, extends the time for answer beyond ninety days (Sec. 82, PD 1445).

SECTION 10. Opening and revision of settled accounts. — At any time before the expiration of three (3) years after the settlement of any account by an auditor, the Commission may motu proprio review and revise the account or settlement and certify a new balance. For this purpose, it may require any account, vouchers, or other papers connected with the matter to be forwarded to it.

When any settled account appears to be tainted with fraud, collusion, or error of calculation, or when new and material evidence is discovered, the Commission may, within three (3) years after the original settlement, open the account, and after a reasonable time for reply or appearance of the party concerned, may certify thereon a new balance. An auditor may exercise the same power with respect to settled accounts pertaining to agencies under his jurisdiction (Sec. 52(1) & (2), PD 1445).

The decision of the Commission or any auditor in the settlement of accounts or claim becomes final and executory it not appealed by the aggrieved party within six (6) months from receipt of the decision (Sec. 48 & 51, PD 1445).

The settlement of an account, whether or not an appeal has been made within the statutory period, is no bar to criminal prosecution against the persons liable.

SECTION 11.  Rule-making authority for accounting and auditing. — The Commission on Audit shall have the exclusive authority, subject to the limitations in Article IX-D, 1987 Constitution, to define the scope of its audit and examination, establish the techniques and methods required therefor, and promulgate accounting and auditing rules and regulations, including those for the prevention and disallowance of irregular, unnecessary, excessive, extravagant, or unconscionable expenditures, or uses of government funds and property (Sec. 2(2), Art. IX-D, 1987 Const.).

SECTION 12.  Recommendatory function for improving efficiency and effectiveness of government operations. — The Commission shall recommend measures necessary to improve the efficiency and
effectiveness of operations of the Government, its subdivisions, agencies, and instrumentalities, including government-owned or-controlled corporations (Sec. 4, Art. IX-D, 1987 Const.).

The Commission performs this function through the conduct of performance audit which include economy, efficiency and effectiveness audits.

SECTION 13. The Commission and the fiscal responsibility of agency heads. — One primary objective of the Commission is to determine whether or not the fiscal responsibility that rests directly with the head of the government agency has been properly and effectively discharged (Sec. 25(1), PD 1445).

The head of an agency and all those who exercise authority over the financial affairs, transactions, and operations of the agency, shall take care of the management and utilization of government resources in accordance with law and regulations, and safeguarded against loss or wastage to ensure efficient, economical, and effective operations of the government (Secs. 2 & 4(4), PD 1445).

SECTION 14. Quasi-judicial function. — The Constitution provides for the quasi-judicial power of the Commission Section 7, Article IX-A, 1987 Constitution states that the Commission shall decide any case or matter brought before it within 60 days from the time of submission. By constitutional sanction, the decision, order or ruling of the Commission may be brought to the Supreme Court on certiorari by the aggrieved party.

SECTION 15. Nature of COA audit of money claims. — The audit of money claims is plainly an adjudicatory process whereby the auditor’s decision is based upon vouchers, reports and other documents on record which are within reach of accountable officers. It is not an adversary process that would entail the formality and the ritual of a hearing peculiar to administrative proceedings.

SECTION 16. Adjudicatory function. — The adjudicatory function is initially exercised by auditors in the settlement of accounts or claims. Any person aggrieved by the decision of an auditor may, within six (6) months from receipt of a copy thereof, appeal in writing to the Commission (Sec. 48, PD 1445). The Commission may delegate the preliminary adjudication of the claim to the COA Directors.

SECTION 17. Investigatory and inquisitorial powers. — The Chairman or any Commissioner of the Commission, central office directors, regional directors, auditors of any government agency, and other official or employee of the Commission specially deputed in writing by the Chairman shall, in compliance with the requirement of due process, have the power to summon the parties to a case brought before the Commission for resolution, issue subpoena and subpoena duces tecum, administer oaths, and otherwise take testimony in any investigation or inquiry on any matter within the jurisdiction of the Commission (Sec. 40(1), PD 1445).

SECTION 18. Power to punish contempt. — The Commission shall have the power to punish contempt provided for in the Rules of Court, under the same procedure and with the same penalties provided therein. Any violation of any final and executory decision, order or ruling of the Commission shall constitute contempt of the Commission (Sec. 40(2), PD 1445).
The power to punish for contempt also includes the authority and capability of the Commission to enforce sanctions against persons who refuse to obey the lawful orders of the Commission in connection with any investigation, inquiry or hearing.

The Rules of Court are referred to on matters of procedure to be followed and penalties to be imposed for acts constituting contempt of the Commission.

This power can be exercised only by the Commission Proper.

SECTION 19. Reportorial function. — The Commission is mandated to submit annual reports to the President and Congress covering the financial condition and operation of the Government and its agencies including non-governmental entities subject to its audit not later than the last day of July of the current year. It also submits such other reports as may be required by law (Sec. 4, Art. IX-D, 1987 Const.).

The head of each auditing unit is likewise required by law to submit audit reports on the audited agency on the last day of February following the close of the year thru the Commission to the head of the agency (Sec. 43(2), PD 1445).

SECTION 20. Audit of the books of accounts of the Congress. — The records and books of accounts of the Congress shall be preserved and be open to the public in accordance with law, and such books shall be audited by the Commission on Audit which shall publish annually an itemized list of amounts paid to and expenses incurred for each Member (Sec. 20, Art. VI, 1987 Const.).

SECTION 21. Visitorial authority. — The Commission shall have visitorial authority over non-governmental entities subsidized by the government, those required to pay levies or government share, those which have received counterpart funds from the government or are partly funded by donations through the government. Such authority, however, pertains only to the audit of those funds or subsidies coming from or through the government (Sec. 29(1), PD 1445).

Upon direction of the President, the Commission shall likewise exercise visitorial authority over non-governmental entities whose loans are guaranteed by the Government, provided that such authority shall pertain only to the audit of the government’s contingent liability (Sec. 29(2), PD 1445).

Proper control must be exercised to determine the correctness and reasonableness of the amount of subsidies and funds granted, invested or loaned. There must be ascertainment whether government-funded private entities are engaged in those activities for which the financial assistance was specifically extended, and a determination as to whether or not operations are conducted in an efficient and economical manner, and ensure return of government funds, if so required.

Among the non-governmental entities subject to visitorial authority of the Commission are the following:

a. participating agencies in family planning programs which have to be audited yearly as required by the donor countries/entities;
b. electric cooperatives organized under PD No. 269;
c. water districts, funded by loans from the Local Water Utilities Administration (LWUA);
d. area marketing cooperatives;
e. arrastre and stevedoring services;
f. some amusement corporations; and
g. schools given subsidy by the government; and
h. others as may be provided by law.

SECTION 22. Examining authority.—The Commission shall have authority to examine books, papers, and documents filed by individuals and corporations with, and which are in the custody of government offices in connection with revenue collection operations, for the sole purpose of ascertaining that all funds determined by the appropriate agencies as collectible and due the government have actually been collected, except as otherwise provided in the Internal Revenue Code (Sec. 28, PD 1445).

SECTION 23. Examination of books of public utilities.—The Commission shall examine and audit the books, records, and accounts of public utilities in connection with the fixing of rates of every nature or, in relation to the proceedings in the proper regulatory agencies, for the purpose of determining franchise taxes.

During the examination and audit, the public utility concerned shall produce all the reports, records, books of accounts and such other papers as may be required. The Commission shall have the power to examine under oath any official or employee of the said public utility.

Any public utility refusing to allow an examination and audit of its books of accounts and pertinent records, or offering unnecessary obstruction to the examination and audit, or found guilty of concealing any material information concerning its financial status, shall be subject to the penalties provided by law (Sec. 38, PD 1445).

SECTION 24. Settlement of accounts between agencies.—The Commission shall have the power, under such regulations as it may prescribe, to authorize and enforce the settlement of accounts subsisting between agencies of the government. (Sec. 34, PD 1445).

SECTION 25. Power to compromise claims.—When the interest of the government so requires, the Commission may compromise or release, in whole or in part, any settled claim or liability to any government agency not exceeding ten thousand pesos (P10,000) arising out of any matter or case before it or within its jurisdiction. With the written approval of the President, it may likewise compromise or release any similar claim or liability not exceeding one hundred thousand pesos (P100,000). In case the claim or liability exceeds P100,000, the application for relief therefrom shall be submitted, through the Commission and the President, with their recommendations, to the Congress.
The Commission may, in the interest of the government, authorize the charging or crediting to an appropriate account in the National Treasury small discrepancies (overage or shortage) in the remittances to and disbursements of the National Treasury, subject to rules and regulations it may prescribe (Sec. 36, PD 1445).

The power to condone interests or penalties and to effect a compromise or release of a settled claim or liability is vested in the Commission, and not in any other offices or agencies, except the Office of the President and Congress for amounts exceeding P10,000. Requests for condonation, compromise or release should therefore be addressed to the Commission.

Only settled claims or liabilities to government agencies may be the subject of compromise or release. If a claim is still contested or unliquidated, no compromise or release can be made.

SECTION 26. Mode of appeal from a decision of the Commission. — The Constitution specifically authorizes an aggrieved party to appeal a decision, order or ruling of the Commission by certiorari directly to the Supreme Court within thirty (30) days from receipt of the Commission's final ruling on the case. When the decision, order or ruling adversely affects the interest of any government agency, the appeal may be taken by the proper head of that agency (Sec. 50, PD 1445).

The procedure of appeal is governed by Rule 43 of the Rules of Court which provides that such appeal shall be taken by filing a petition for certiorari on the following grounds:

a. That the body rendering the ruling, order, or decision appealed from had decided a question of substance not theretofore determined by the Supreme Court, or

b. Has decided it in a way not in accordance with the law or the applicable decision of the Supreme Court.

Ordinarily, only questions or errors of law decided or committed by the Commission may be reviewed by the Supreme Court. The task of ascertaining the credibility and weight of conflicting evidence is beyond the province of the Supreme Court in appeals by certiorari (Batangas Transportation Co. vs. Rivera, L-14427, Aug. 29, 1960). However, where there has been grave abuse of discretion in making such findings (or fact) by reason of the total absence of competent evidence in support thereof, then the Supreme Court may review said findings or fact (Basaysay vs. WCC, 3 SCRA 530; Tagumpay Mineral Mining Ass. vs. Masangkay, 46 SCRA 608).

Chapter 3. Non-Audit Functions

SECTION 27. Accounting function. — The keeping of the general accounts of the government by the Commission, as mandated by the Constitution (Sec. 2(1), Art. IX-D, 1987 Const.), is an exceptional function of a supreme audit institution.

"General accounts" is construed to refer to the book of unappropriated surplus, a mere memorandum account which shows at any time the amounts of the appropriation authorized by the Congress, the amounts released to the various agencies out of these appropriations, and the unexpended balances of
the authorized appropriations which should be reverted to the unappropriated general fund of the
National Treasury.

SECTION 28. Custodial function. — The Commission acts as the official repository of vouchers or
documents relative to the general accounts of the government (Sec. 2(1), Art. IX-I, 1987 Const.).

SECTION 29. Preservation of vouchers. — The Constitution confers upon the Commission the
preservation of the vouchers pertaining to the general accounts of the government (Sec. 2(1), Art. IX-D,
1987 Const.)

Auditors or designated records custodian in all auditing units shall have the custody, and be responsible
for the safe-keeping and preservation of paid expense vouchers, journal vouchers, stubs of treasury
warrants or checks, reports of collections and disbursements and similar documents, together with their
respective supporting papers (Sec. 43(4), PD 1445).

Auditors shall preserve the vouchers and documents enumerated in the preceding paragraph for a
period of ten years from the date of payment/collection (Sec. 26, PD 1445).

At the expiration of the ten-year period, these vouchers/documents may be disposed of provided that
the period of three years after settlement of the accounts has expired, i.e., vouchers which have been
preserved for ten years, but the three-year period after settlement has not expired, may be disposed of
only after the expiration of three years from settlement (COA Memo 83-332, Feb. 4, 1983).

SECTION 30. Production of vouchers and documents. — It is the policy of the Commission to make
available vouchers, documents, or records which are in the custody of its auditors only when the same
are to be used as evidence in administrative, judicial or quasi-judicial proceedings in response to an
appropriate subpoena duces tecum or official request by proper law enforcement/investigative
authorities.

If the examination or production of records and documents is directed by the Courts, the office of the
Special Prosecutor (formerly the Tanodbayan), and the Office of the Ombudsman, or any of the latter's
deputies, thru a subpoena duces or other compulsory process, the auditor concerned has to comply
without prior clearance or authority from his superiors (COA Memo 87-22F, Oct. 2, 1987).

Likewise, auditing units shall, upon written request of management, make available vouchers, records,
and documents which are necessary for reference purposes in the course of the agency's operations
(COA Memo 87-22E, Aug. 24, 1987).

The audit officials are enjoined to guard against the loss of or tampering with the said documents, and
under no circumstance should custody of the originals thereof be relinquished to any other person or
entity. After having served their purpose, the subject documents should be immediately returned to
their permanent file (COA Memo 81-22-C, June 1, 1981).

SECTION 31. Initiation of criminal, civil, or administrative action. — Pursuant to its constitutional
power to examine, audit and settle all accounts of the government, the Commission may initiate, in the
proper forum, an appropriate criminal, civil or administrative action against any government officer or employee, or even private persons, whenever upon examination, audit, or settlement of an account or claim, a violation of law or regulation is discovered or disclosed.

SECTION 32. Collection of indebtedness due the government. — The Commission shall, through proper channels, assist in the collection and enforcement of all debts and claims, and in the restitution of all funds or the replacements or payment at a reasonable price of property found to be due the government, or any of its subdivisions, agencies or instrumentalities, or any government-owned or-controlled corporation or self-governing board, commission or agency of the government, in the settlement and adjustment of its accounts. If any legal proceeding is necessary to that end, the Commission shall refer the case to the Solicitor General the Government Corporate Counsel, or the legal staff of the creditor Government office or agency concerned to institute such legal proceeding. The Commission shall extend full support in the litigation. All moneys due and payable shall bear interest at the legal rate from the date of written demand by the Commission (Sec. 35, PD 1445).

SECTION 33. Seizure of the office of a local treasurer. — Under the law of public officers, a public officer should not perform incompatible functions. Although the functions of a local treasurer and those of an auditor are incompatible, the auditor’s prerogative to seize the office of a local treasurer, in appropriate cases, is an exception provided for by law. It is designed to prevent the further incurrence of shortage by the erring accountable officer to the prejudice of the public interest, and to assure continuity in the operation of the treasurer’s office, without disruption or paralization of its services. The seizure of office is only temporary.

SECTION 34. Power to place under constructive distraint the personal property of an accountable officer. — This is a summary process where the distraining officer does not take actual possession of the personal property distrained but leaves them, under receipt, with the defalcating accountable officer who shall be obligated to preserve the same intact and unaltered, and not dispose of the same without the express authority of the Commission. The grant of power ensures the collection of the amount covering the shortage from the erring accountable officer. It also serves as a deterrent against infidelity of accountable officers in their custody of public funds and property.

The Commission Proper shall issue a warrant of constructive distraint upon proper evaluation of the report submitted by the auditor (thru the Regional Director) who discovered the shortage. The auditor or other auditing officials (thru the Regional Director) serve the warrant personally on the defalcating accountable officer.

SECTION 35. Other non-audit functions. — Other functions of the Commission on Audit pertaining to the following are discussed in succeeding sections of this Manual.

a. Grant of relief from accountability (Sec. 73, PD 1445).

b. Disposition of funds or property held by deceased, incapacitated, absconding, or superseded accountable officer (Sec. 78, PD 1445).
c. Destruction or sale of unserviceable property (Sec. 79, PD 1445).

d. Request for exemption from the use of accountable forms (Sec. 68, PD 1445).

e. Transfer of funds from one office to another (Sec. 75, PD 1445).

f. Reversion of unliquidated balances of accounts payable (Sec. 98, PD 1445).

g. Transfer of unexpended balances of appropriations to the General Fund (Sec. 99, PD 1445).

BOOK II. RECEIPT AND DISPOSITION OF PUBLIC MONEYS

Chapter 1. Revenues and Receipts in General

SECTION 36. Definitions. — The following terms shall mean as hereunder defined, unless the context otherwise provides:

Revenue (or its synonym, "income") covers tax and non-tax items such as those earned or realized from regular operations and services rendered, government business or proprietary operations, sales of assets, and grants/aid, whether actually collected in cash or accrued resulting in additions to or increases in the net assets of an entity (COA Memo 84-411, July 26, 1984).

In local government units, revenue refers to income derived from the regular system of taxation enforced under authority of law or ordinance, and, as such, accrue more or less regularly every year (Sec. 306(m), RA 7160). Income refers to all revenues and receipts collected or received forming the gross accretions of funds of the local government units (Sec. 306(i), RA 7160);

Receipts refers to all cash inflow whether actual or constructive regardless of source or purpose and whether pertaining to the agency or not. It includes not only income or revenue actually collected but also trust receipts, fund deposits, inter-fund and inter-agency transfers and equity contributions received by corporate agencies (COA Memo 84-411, supra).

In the local government units, receipts refers to income realized from operations and activities of the local government or are received by it in the exercise of its corporate functions, consisting of charges for services rendered, conveniences furnished, or the price of a commodity sold, as well as loans, contributions or aids from other entities, except provisional advances for budgetary purposes (Sec. 306(1), RA 7160).

Government funds includes public moneys of every sort and other resources pertaining to any agency of the government (Sec. 3(2), PD 1445).

Revenue funds comprises all funds derived from the income of any agency of the government and available for appropriation or expenditure in accordance with law (Sec. 3(3), PD 1445).

Trust funds refers to funds which have come officially into the possession of any agency of the government or of a public officer as trustee, agent, or administrator, or which have been received for the fulfillment of some obligations (Sec. 3(4), PD 1445).
Depository funds comprises funds over which the officer accountable therefor may retain control for the lawful purposes for which they come into possession. It embraces moneys in any and all depositories (Sec. 3(5), PD 1445).

Depository means any financial institution lawfully authorized to receive government moneys upon deposit (Sec. 3(6), PD 1445).

SECTION 37. Tax exemption. — Charitable institutions, churches and parsonages or convents appurtenant thereto, mosques, and non-profit cemeteries, and all lands and buildings, and improvement, actually, directly, and exclusively used for religious, charitable, or educational purposes shall be exempt from taxation (Sec. 28(3), Art. VI, 1987 Const.).

No law granting any tax exemption shall be passed without the concurrence of a majority of all the Members of the Congress (Sec. 28(4), Art. VI, 1987 Const.).

All revenues and assets of non-stock, non-profit educational institutions used actually, directly, and exclusively for educational purposes shall be exempt from taxes and duties. Upon the dissolution or cessation of the corporate existence of such institutions, their assets shall be disposed of in the manner provided by law (Sec. 4(3) Art. XIV, 1987 Const.).

Local government units may, through ordinances duly approved, grant tax exemptions, incentives or reliefs under such terms and conditions as they may deem necessary (Sec. 192, RA 7160).

SECTION 38. Tax for a special purpose. — All money collected on any tax levied for a special purpose shall be treated as a special fund and paid out for such purpose only. If the purpose for which a special fund was created has been fulfilled or abandoned, the balance, if any, shall be transferred to the general funds of the Government (Sec. 29(3), Art. VI, 1987 Const.).

SECTION 39. Power of local government units to create sources of revenue. — Each local government unit shall exercise its power to create its own sources of revenue and to levy taxes, fees, and charges subject to the provisions of the Local Government Code, consistent with the basic policy of local autonomy. Such taxes, fees, and charges shall accrue exclusively to the local government units (Sec. 129, R.A. 7160).

The power to impose a tax, fee, or charge or to generate revenue under the Code shall be exercised by the sanggunian of the local government unit concerned through an appropriate ordinance (Sec. 132, RA 7160).

The revenue collected pursuant to the provisions of the Code shall inure solely to the benefit of, and be subject to disposition by, the local government unit levying the tax, fee, charge. or other imposition unless otherwise specifically provided in the Code (Sec. 130(d), RA 7160).

SECTION 40. Power of local government units to levy other taxes, fees or charges. — Local government units may exercise the power to levy taxes, fees or charges on any base or subject not otherwise specifically enumerated in the Local Government Code or taxed under the provisions of the
National Internal Revenue Code, as amended, or other applicable laws, provided that the taxes, fees, or charges shall not be unjust, excessive, oppressive, confiscatory or contrary to declared national policy; provided, further, that the ordinance levying such taxes, fees or charges shall not be enacted without any prior public hearing conducted for the purpose (Sec. 186, RA 7160).

SECTION 41. Authority of local government units to adjust rates of tax ordinance. — Local government units shall have the authority to adjust the tax rates as prescribed in the Local Government Code not oftener than once every five (5) years, but in no case shall such adjustment exceed ten percent (10%) of the rates fixed under the Code (Sec. 191, RA 7160).

SECTION 42. Local government units' share in national taxes. — Local government units shall have a just share, as determined by law, in the national taxes which shall be automatically released to them (Sec. 6, Art. X, 1987 Const.).

SECTION 43. Public purpose of taxes. — Taxes, fees, charges and other impositions shall be levied and collected only for public purposes (Sec. 130(b-2), RA 7160).

SECTION 44. Service fees and honoraria. — Agencies are authorized to charge fees, including honoraria and other reasonable allowances as compensation for consultation, seminars or training programs or technical services rendered to other government agencies or private parties. Such fees or honoraria shall be recorded as income of the government and subject to the usual accounting, auditing and other pertinent requirements (Sec. 46, Bk. VI, 1987 Adm. Code).

SECTION 45. Charges for property sold or services rendered; refunds. — For services required by law to be rendered for a fee, for supplies furnished, or articles of any kind sold to other divisions of the government or to any person, the head of bureau, office or agency may, upon approval of the Secretary, charge and collect the cost of service, supplies, or articles, or other rate in excess of cost prescribed by law or approval by the same authority. (Sec. 54, Chap. 12, Bk. IV, The Executive Branch, 1987 Adm. Code).

Local government units may impose and collect such reasonable fees and charges for services rendered. The rate except where otherwise prescribed by law, shall be fixed at cost or at such other reasonable rate in excess of cost by the boards or councils concerned (Sec. 54, Chap. 12, Bk. IV, the Executive Branch, 1987 Adm. Code; Sec. 153, RA 7160).

SECTION 46. Public utility charges in local government units. — Local government units may fix the rates for the operation of public utilities owned, operated and maintained by them within their jurisdiction (Sec. 154, RA 7160).

SECTION 47. Toll fees or charges in local government units. — The sanggunian concerned may prescribe the terms and conditions and fix the rates for the imposition of toll fees or charges for the use of any public road, pier or wharf, waterway, bridge, ferry or telecommunication system funded and constructed by the local government unit concerned, provided that no such toll fees or charges shall be collected from officers and enlisted men of the Armed Forces of the Philippines and members of the
Philippine National Police on mission, post office personal delivering mail, physically-handicapped, and disabled citizens who are sixty-five (65) years or older.

When public safety and welfare so requires, the sanggunian concerned may discontinue the collection of the tolls, and thereafter the said facility shall be free and open for public use (Sec. 155, RA 7160).

SECTION 48. Disposition of miscellaneous bureau receipts. — In the absence of special provisions, money collected for property sold or service rendered, and all other receipts or earnings of bureaus, offices, and agencies not derived from taxation, shall accrue to the general unappropriated funds of the National Government (Sec. 55, Chapter 12, Bk IV, The Executive Branch, 1987 Adm. Code).

SECTION 49. Authority of local government units to negotiate and secure grants. — Local chief executives may, upon authority of the sanggunian, negotiate and secure financial grants or donations in kind, in support of the basic services or facilities enumerated under Section 17 of the Local Government Code, from local and foreign assistance agencies without necessity of securing clearance or approval therefor from any department, agency, or office of the national government or from any higher local government unit, provided that projects financed by such grants or assistance with national security implications shall be approved by the national agency concerned; and provided further that when such national agency fails to act upon the request for approval within thirty (30) days from receipt thereof, the same shall be deemed approved.

The local chief executive shall, within thirty (30) days upon signing of such grant agreement or deed of donation, report the nature, amount, and terms of such assistance to both Houses of Congress and the President (Sec. 23, RA 7160).

SECTION 50. Printing of studies and researches. — With the approval of the Secretary, a bureau, office, or agency may print its studies, researches and similar materials for distribution at cost to the public. The Secretary may authorize the printing or reprinting of the said materials by private persons for sale to the public upon payment of such royalties as may be fixed by him, which shall accrue to the general fund (Sec. 56, Chapter 12, Bk IV, The Executive Branch, 1987 Adm. Code).

SECTION 51. The Bureau of Internal Revenue. — The Bureau of Internal Revenue shall have the function, among others, to assess and collect all taxes, fees and charges and account for all revenues collected (Sec. 18, Title II, Bk IV, 1987 Adm. Code).

SECTION 52. The Bureau of Customs. — The Bureau of Customs shall have the function, among others, to collect customs duties, taxes and corresponding fees, charges and penalties, and account for all customs revenues collected (Sec. 23, Title II, Bk IV, 1987 Adm. Code).

SECTION 53. Collection of local revenue by treasurer. — All taxes, fees and charges shall be collected by the provincial, city, municipal, or barangay treasurer, or their duly authorized deputies.

The provincial, city or municipal treasurer may designate the barangay treasurer as his deputy to collect local taxes, fees, or charges. In case a bond is required for the purpose, the provincial, city or municipal
government shall pay the premiums thereon in addition to the premiums of bond that may be required under the Local Government Code (Sec. 170, RA 7160).

The collection of local taxes, fees, charges and other impositions shall in no case be let to any private person (Sec. 130(c), RA 7160).

SECTION 54.  Accounting for money and property received by public officials. — Except as may otherwise be specifically provided by law or competent authority, all moneys and property officially received by a public officer in any capacity or upon any occasion must be accounted for as government funds and government property. Government property shall be taken up in the books of the agency concerned at acquisition cost or at appraised value (Sec. 42, Title I(B) Bk V(B), 1987 Adm. Code).

All moneys officially received by a local government officer in any capacity or on any occasion shall be accounted for as local funds, unless otherwise provided by law (Sec. 305(d), RA 7160).

SECTION 55.  Special, fiduciary, and trust funds. — Receipts shall be recorded as income of special, fiduciary or trust fund other than the General Fund only when authorized by law as implemented pursuant to law (Sec. 43, Title I(B), BK V, 1987 Adm. Code).

SECTION 56.  Accounting for unrealized revenues. — Estimated revenues which remain unrealized at the close of the fiscal year shall not be booked or credited to the unappropriated surplus or any other account (Sec. 118, PD 1445; Sec. 349, RA 7160).

SECTION 57.  Collections through the banking system. — Collections through accredited Agent Banks covering such revenues as (a) internal revenue taxes, (b) customs duties, taxes and other levies, (c) import processing fees, and (d) export/premium duties, shall be governed by special regulations issued on the subject (EO 337 s. 1984; DBM COA Joint Cir. 5-85, June 6, 1985; MDF Rev. Reg. 5-84, May 28, 1984).

SECTION 58.  Collections through foreign service posts. — Collections made by foreign service posts of internal revenue taxes and service fees for the conduct of verification of overseas employment documents by the labor attaches/overseas officers, and the authentication of said documents by the embassy/consulate officials concerned shall be governed by special regulations issued on the subject (DFA-DOF Memo of Agreement, recommended by COA and BIR, Dec. 1, 1976; DOF-DBM-COA-DOLE-DFA Joint Cir. 3-87, Oct. 1, 1987).

SECTION 59.  Rates and computations. — In determining the correctness of assessments, penalties, surcharges, interests, discounts, distribution of proceeds, tax refunds or credits, and other rates and computations, all concerned shall be guided by the following:

a. the National Internal Revenue Code

b. the Tariff and Customs Code
c. the Local Government Code
d. special laws
e. corporate charters
f. latest amendments and implementing regulations, and
g. ordinances, resolutions and other issuances from competent authority.

Chapter 2. Billing and Receivables

SECTION 60. Billing of receivables. — Income derived transactions on credit, whether from the sale of goods services or otherwise, shall be evidenced by a charge note invoice or statement. These forms shall be prenumbered accountable documents, subject to proper custody and accountability. Where mechanical devices are used to record transactions, the Commission on Audit may approve, upon request, dispensation from the use of accountable forms.

Bills shall be prepared in such manner as to enable the debtor office to ascertain the account to be credited, and the amount and the proper expense classification of each items; and should be supported by authenticated copy of pertinent papers. The bills should, however, be made to bear the special approval of the head of office or his duly authorized representative, and attested by the accounting officer before they are sent to the debtor office or parties for payment.

SECTION 61. Administrative responsibility. — The responsibility for assuring that complete information reaches the accounting unit rests with the operating divisions of all agencies. Final collection of accounts receivable is also an operating responsibility. To assure an effective billing receivable system, each agency should supplement the procedure herein outline with other procedures to improve the initial steps of billing and subsidiary record keeping, and the final steps of collecting.

SECTION 62. Forms. — The forms used in the billing procedure consist of the following:

a. Bill forms
b. Summary of billings
c. Subsidiary record
d. Quarterly schedules of accounts receivable, and
e. Journal of bills rendered

Except for the forms that are prescribed as standard for all agencies, the foregoing forms shall be designed to fit the requirements of the individual agencies.

SECTION 63. Billing practices. — Billing shall be done either by the accounting department or the local treasurer's office, as the case may be, from information furnished by operating divisions.
All services and materials not paid for as received must be billed. This shall include services rendered by one agency for another. However, indebtedness of one fund to another within a single agency shall not be billed.

SECTION 64. Recording of receivables. — Each accounting unit with accounts receivables shall keep one or more subsidiary ledgers showing, for customers or other types of debtors, the amounts due and received from them and the balances of their accounts. These subsidiary records shall support the general ledger control account.

Quarterly, each agency accounting unit shall prepare a statement scheduling overdue accounts receivable. The agency head, or his authorized representative, shall review and sign this statement as an indication that he has examined the list of overdue accounts and has instituted, or will institute, action for their collection.

Chapter 3. Receipts of Public Moneys

Article 1. Collecting Officers

SECTION 65. Designation of collecting officers — The head of an agency may designate such number of collecting officers or agents as may be deemed necessary (Sec. 64, PD 1445).

As a general rule, the collection of revenues and receipts shall be done by the regularly appointed Collecting Officer/Treasurer.

In local government units, local treasurers are vested by law to collect and receive all monies accruing to their respective jurisdiction whether in the form of collectible taxes and other revenues or receipts or trust funds pertaining to other branches or units of the government (Secs. 170 and 247, RA 7160).

Collectors/Tellers may also be designated to assist Collecting Officers/Treasurers and they shall turn over their collections daily to the Collecting Officer/Treasurer concerned. Collectors in the field shall turn over their collections on the day they return to the office.

SECTION 66. Bonding of accountable officers. — Every officer of any government agency whose duties permit or require the possession or custody of government funds or property shall be accountable therefor and for the safekeeping thereof in conformity with law and shall be properly bonded in accordance law (Sec. 101, PD 1445; Sec. 305(f), RA 7160).

SECTION 67. Prohibition from holding other positions as cashier or treasurer. — Government cashiers are prohibited holding positions as cashiers or treasurers of savings and loan associations or any other association or organization (GAO Gen. Cir. 25, April 20, 1953; EO No. 250, s. 1930).

SECTION 68. Reporting. — Collecting Officers/Treasurers shall submit daily records of receipts, together with the supporting documents, to the Chief Accountant. The official assigned to the daily recording of transaction in the books of accounts shall turn over the receipts and supporting documents to the Auditor within ten (10) days after receipt of such records and documents. The Auditors concerned
shall conduct the necessary examination and audit within thirty days from receipt thereof (Sec. 64, PD 1445; COA Cir. 89-299-A, Sept. 8, 1989).

Article 2. Acknowledgment of Collections

SECTION 69. Issuance of official receipt. — No payment of any nature shall be received by a collecting officer without immediately issuing an official receipt in acknowledgment thereof. The receipt may be in the form of postage, internal revenue or documentary stamps and the like, or officially numbered receipts, subject to proper custody, accountability, and audit (Sec. 68, PD 1445; Sec. 44(1), Title (B), Bk V, 1987 Adm. Code).

SECTION 70. Use of mechanical devices.- Where mechanical devices are used to acknowledge cash receipts, the Commission on Audit may approve, upon request, exemption from the use of accountable forms (Sec. 68, PD 1445; Sec. 44(2), Title I(B), Bk V, 1987 Adm. Code).

SECTION 71. Design of official receipts. — Official receipts are designed to cover a particular kind of collection only. Unless otherwise specifically authorized, an official receipt shall be used only for the purpose for which it is intended. General forms shall be used only for collections for which no specific form has been authorized.

SECTION 72. Prohibition against the use of temporary receipts. — At no instance shall temporary receipts be issued to acknowledge the receipt of public funds.

SECTION 73. Preparation of official receipts. — Pre-numbered official receipts shall be issued in strict numerical sequence.

In preparing official receipts, all copies of each receipt shall be exact copies or carbon reproductions in all respects of the original.

If payment has been tendered in money order or check, the official receipt shall be prepared with the date, number, and the amount of such money order, or check together with the purpose for which the payment has been received. The address of the payor shall also be indicated on the official receipt to facilitate communication with him if necessary.

SECTION 74. Cash tickets. — Cash tickets issued to transient vendors in the public market to acknowledge market fees shall pertain only to the vendor buying the same and shall be good only for the space or spaces of the market premises to which he is assigned. If a vendor disposes of his merchandise by whole-sale to another vendor, the latter shall purchase new tickets if he desires to sell the same merchandise, even if done in the same place occupied by the previous vendor. The name of the vendor, the place and date of issue shall be indicated at the back of the cash tickets issued to a vendor.

SECTION 75. Procedures for handling collections received through the mail. — Collections received through the mail shall be acknowledged, and remitted or deposited, and recorded just like other collections. Basic controls shall, however, maintained:
a. Incoming mail shall be opened by or under the supervision of a responsible officer of the Records Section of the agency.

b. In addition to the usual records maintained for incoming mail, a list shall be prepared by the Records Section of all checks, money orders, warrants, or currency received, listed individually and totalled. The list shall contain spaces for information on the acknowledgment of receipt of the collection as well as its subsequent remittance or deposit with authorized depositories. The list shall be prepared in four copies and certified correct by the Chief of the Records Section.

c. After accomplishing the list, the Records Section shall immediately deliver the duplicate copy direct to the COA Auditor. The three other copies and the collections and covering letters shall be delivered direct to the Collecting Officer who shall verify the correctness of the list, sign the acknowledgment portion on all three copies, and return the quadruplicate copy to the Records Section.

d. The Collecting Officer shall immediately issue an official receipt for each and every collection on the list. The official receipt number and date of issue shall be recorded on the appropriate spaces of the original and triplicate copies of the list.

e. The Collecting Officer shall forward to the Chief Accountant the original copy of the list, together with the payors’ copies of the official receipts issued. The Chief Accountant shall see that official receipts have been correctly and properly recorded in the list. The original copy of the list shall be retained and filed by the Chief Accountant. The payors’ copies of the official receipts shall be forwarded to the Records Section which shall mail them to the payors under covering letters.

f. Upon deposit or remittance of the collections received through the mail, the date of deposit and validation number of the remittance advice/deposit slip, or official receipt number shall be recorded by the Collecting Officer on his copy of the list.

g. Periodically, the COA Auditor shall compare the duplicate copies of the list received by him against the original copies kept in the accounting unit. He shall also trace the collections appearing in the list to the collection reports and the records of deposits or bank statements.

Article 3. Checks Received in Payment for Taxes or Other Indebtedness to the Government

SECTION 76. Acceptance of checks in payment for indebtedness to the government. — An officer charged with the collection of revenue or the receiving of moneys payable to the government shall accept payment, for taxes, dues or other indebtedness to the government, in the form of checks issued in payment of government obligations, upon proper indorsement and identification of the payee or indorsee. Checks drawn in favor of the government in payment of any such indebtedness shall likewise be accepted by the officer concerned (Sec. 67(1), PD 1445).

SECTION 77. Drawing of checks. — Checks in payment for indebtedness to the government must be drawn by the payor himself and made payable to the agency or head or treasurer of agency. In the latter case, only the official title or designation of the official concerned shall be stated as the payee. Under no circumstance shall the following checks be accepted: (a) checks drawn payable to the name of agency
head or any of its officers, (b) indorsed checks, (c) stale checks, and (d) out-of-town checks, except those which are drawn by the Government or its instrumentalities.

SECTION 78. Issuance of official receipts for payment by checks. — Before issuing an official receipt, the Collecting Officer shall carefully scrutinize the check presented to him and make sure that it is complete and correct particularly as to date, signature or countersignature, and amount in words and figures appearing on the face of the check.

The number and the date of the official receipt issued shall be indicated at the back of the check.

SECTION 79. Non-acceptance of checks. — When a check drawn in favor of the government is not accepted by the drawee bank for any reason, the drawer shall continue to be liable for the sum due and all penalties resulting from delayed payment (Sec. 67(2), PD 1445).

SECTION 80. Payors with previously dishonored checks. — Wherever a payor has a record of a previously dishonored private check drawn by him in payment of taxes and dues, even if such check has already been settled, any private check presented by him shall no longer be accepted. In such case, the payor shall be required to pay only in cash or by certified check.

Each agency head or treasurer, in the case of local governments, shall make a list of payors whose checks have been dishonored and shall circulate the list to all collecting under his jurisdiction.

SECTION 81. Issuance of a separate official receipt in case amount due is less than the face value of the check. — No change shall be given to the payor in the event that the amount of the taxes or dues is less than the face value of the check in payment thereof. The difference shall be receipted for by the issuance of a separate general receipt and shall be accounted for simultaneously with the collection as miscellaneous trust liabilities.

SECTION 82. Payment by private check for goods delivered and services rendered by government agencies. — When payment for goods or services is made by private check, no such service shall be rendered or goods delivered by the government agency concerned unless the check in payment thereof has been honored by the drawee bank.

Article 4. Handling of Dishonored Checks Received in Payment of Taxes and Other Indebtedness to the Government

SECTION 83. Dishonored checks. — From time to time checks received by collecting officers in payment of taxes, fees and other debts due the government are dishonored by drawee banks. A check is said to be dishonored by non-payment when, upon its being duly presented for payment, such payment is refused or cannot be obtained (Sec. 83, RA 2031, Negotiable Instruments Law).

SECTION 84. Cancellation of official receipt. — In case a check received as payment for taxes or dues is dishonored, the official receipt covering the dishonored check shall immediately be cancelled by the collecting officer and the fact of cancellation noted by him on the duplicate (if it is no longer in his
posses

sion, by the accountant or auditor, as the case may be) and the triplicate copies of the receipt, in
the following manner:

"Cancelled, (date of notice of dishonor)

Check dishonored per Bank/Treasury Debit

Voucher/Memo No. ________ dated ________.

The cancellation shall also be noted on all subsidiary records pertaining to the transaction. The payor
shall be immediately notified by the agency head or treasurer concerned of the cancellation and
dishonor by means of a "Notice of Dishonor" as required in the succeeding paragraph.

SECTION 85. Notice of dishonor. — Section 89 of the Negotiable Instruments Law provides that "...when a negotiable instrument has been dishonored by non-acceptance or non-payment, notice of
dishonor must be given to the drawer and to each indorser, and any drawer or indorser to whom such
notice is not given is discharged." It is, therefore, indispensable that notice of dishonor be given to the
drawer (or to the indorser-payor of the government check) to protect the interest of the Government.
The collecting officer neglecting or failing to give the required notice of dishonor to the drawer (or to the
endorser-payor of the government check) who, as a result thereof is discharged from liability, shall be
personally answerable for the resulting loss suffered by the Government (GAO Gen. Cir. 110, Oct. 10,
1968).

SECTION 86. Form of notice of dishonor. — Ordinarily dishonored check is returned by the
Treasury/Depository Bank concerned to the collecting officer who has deposited it, together with the
original of the debit voucher/memo. Upon receipt of the dishonored check and debit voucher/memo,
the collecting officer shall accomplish the "Notice of Dishonor" (Appendix 1) and sign it in behalf of the
head of the agency.

The notice of dishonor shall be prepared in distributed as follows:

Original— To drawer, delivered personally under receipt or

sent by registered mail with return card on the same day.

Duplicate — To agency head (or treasurer, as the case may

be), to be sent by airmail or special delivery if

coming from the province.

Triplicate — To be attached to Report of Collection sub-
mitted to accounting unit.

Quadruplicate — To auditor having audit jurisdiction over collecting officer.

Quintuplicate — To file of collecting officer.

SECTION 87. Action on dishonored checks. — Should the drawer of a dishonored check fail to settle his account or deposit the amount sufficient to cover the same within five days from receipt of the notice of dishonor, the head of the bureau, office government corporation, or local treasury that received the dishonored check shall immediately transmit the papers to the city or provincial prosecutor for the institution of the necessary criminal action under Art. 315 of the Revised Penal Code, as amended by Republic Act No. 4885, and/or BP Blg. 22.

The aforementioned provision applies only cases where the check has been dishonored for lack or insufficiency of funds. Where the check has been dishonored by reason of formal defects, such as lack of countersignature, the agency head shall nevertheless take immediate steps to collect the taxes or dues previously paid under the dishonored check, for which the official receipt covering the check has been subsequently cancelled and, if necessary, initiate the prompt institution of the corresponding civil action for the collection of the amount involved.

SECTION 88. Recording and reporting of dishonored checks. — Certain adjustments and notations have to be made in pertinent records and a report prepared with respect to dishonored checks, are provided hereunder:

a. Collecting officer's records

The collecting officer, upon receipt of the debit voucher/memo and the dishonored check, shall record the dishonor by a negative credit entry in his cashbook with the following explanation: "To take up Debit Voucher/Memo No. ________ dated ________ covering dishonored check No. ________ for P ________ acknowledged by O.R. No. ________ dated ________." (On the basis of this entry, and...
Debit Voucher/Memo and the Notice of Dishonor, the accounting unit shall make the corresponding entry in the accounting records.

In the statement of Account-Current, the net amount, after deducting the dishonored check, shall be entered opposite "Collection per this report." However, a footnote shall be made at the bottom of the statement to the effect that so much representing dishonored checks has been deducted from the net amount shown. In the "Credits" portion of the statement, the total deposits shall be shown and a separate negative entry shall be made for the dishonored check.

b. Accounting records

Upon receiving the Report of Collections, the chief accountant should carefully examine the entries therein regarding dishonored checks listed in the duplicate debit voucher/memo he has received earlier. He should check the debit voucher/memo against his copies of his the "Notice of Dishonor" and ascertain that proper adjustments have been made in the Report Collections, including the statement of Account-Current at the back thereof. The chief accountant shall call the attention of the collecting officer to debit voucher/memos received by the former but not reported by the latter.

Based on the report of collections as confirmed by the Treasury Statement of Account-Current, the chief accountant shall make the necessary entries in the accounting records.

c. Report of collecting officer

At the end of each month, the collecting officer shall prepare a report of dishonored checks (Appendix 2). The report shall show the unsettled dishonored checks at the beginning of the month, dishonor checks received during the month, those settled during the month, the unsettled dishonored checks at the end of the month, and the action taken in each case. The monthly report shall be prepared in five copies to be distributed as follows:

Original — To the agency head (or treasurer, as the case may be)

Duplicate — To the unit auditor

Triplicate — To the chief accountant (to be attached to the Report of Collections)

Quadruplicate — To the auditor having jurisdiction in
The agency head/treasurer shall see to it that proper action is taken on the dishonored checks. If court action is necessary, he should initiate it without delay.

SECTION 89. Redemption of dishonored checks. — The following rules shall be observed when a dishonored check is redeemed:

a. A dishonored check shall be redeemed by tendering payment in cash or by certified check to the collecting officer concerned. No other mode of payment shall be accepted.

b. Upon receipt of the cash or certified check, the collecting officer shall issue an official receipt for the amount received by him. The nature of the payment to be indicated shall be the same as that in the previous official receipt cancelled, except that the following notation shall be placed on the receipt: "Previous payment acknowledged by O.R. No. _______, dated _______ cancelled on (date of notice of dishonor).” Accordingly, the redemption of the dishonored check shall be recorded in the cashbook together with other collections.

c. If the payor is liable for the payment of fine or penalty arising from delayed payment, the amount corresponding to the fine or penalty shall also be imposed and collected in addition to the principal tax or dues paid by him.

d. The cash or certified check received shall be deposited together with the other collections under a separate remittance advice in the case of national collection.

e. Upon redemption of the dishonored check in the manner herein prescribed, the collecting officer shall not return the check to the payor concerned unless the latter first surrenders the previous official receipt therefor. If the previous receipt is no longer available, a sworn statement to the effect that it has been lost or misplaced should be submitted by the payor. The collecting officer shall forthwith cancel the surrendered official receipt and forward it (or the affidavit) to the accounting unit for file with the corresponding report of collections where the cancellation was record.

f. In the Report of Collections, an asterisk shall be placed opposite the line on which the official receipt is indicated and a corresponding footnote shall be placed on the last page of the report just below the totals as follows: "Redemption of dishonored check previously acknowledged by O.R. No. _______, dated _______ which was cancelled on (date of notice of dishonor). This footnote, together with copy of the new official receipt and the cancelled original copy of the previous official receipt (or affidavit) shall be the bases of the accounting unit for making the reversing entry in the proper journal.
SECTION 90. Custody of dishonored checks. — Pending their redemption, dishonored checks shall remain in the custody of the collecting officer, unless the agency head or the court shall direct otherwise, in which case appropriate receipts should be secured from the officer authorized to take custody of the checks. The collecting officer shall immediately advise the transfer of custody of the checks.

Article 5. Control of Official Receipts

SECTION 91. Accountability for official receipts. — An official receipt is an accountable form held in trust by the Collecting Officer/Treasurer/Property Officer or other person duly authorized to possess or have custody thereof. He shall be responsible for its safekeeping, the proper and authorized, use or application thereof and the reporting of its use and condition; and shall be liable for loss, damage or deterioration occasioned by negligence in the keeping or use thereof.

SECTION 92. Exclusive jurisdiction of the National Printing Office. — The National Printing Office shall have exclusive jurisdiction over the printing, binding and distribution of all standard and accountable forms of national, provincial city and municipal governments, including government corporations (Sec. 6, EO 285, s. 1987; COA Cir. 88-290, Oct. 5, 1988).

SECTION 93. Exemption by the President. — Any authority or certification to print standard and accountable forms presented by private printers/persons shall be verified by the National Printing Office as emanating from the Office of the President which has the sole prerogative to grant exemptions (COA Cir 89-312A, Dec. 12, 1989).

SECTION 94. Inspection of accountable forms received from the National Printing Office. — Upon receipt of accountable forms from the National Printing Office, the Collecting Officer/Treasurer/Property Officer shall examine carefully each book or pad. He shall segregate any book or pad found to contain defects, such as incorrect series of numbers, or missing leaves or sheets etc. and submit it to the COA Unit Auditor together with a statement of the defects or deficiencies noted.

The COA Unit Auditor shall examine the book or pad. If he finds the defects are due to error in binding or printing, he shall make proper notations on the book or on the defective sheet itself. He shall also immediately furnish the Collecting Officer/Treasurer/Property Officer concerned with two copies of the certificate covering his action. The Collecting Officer/Treasurer/Property Officer shall use this certificate in support of a credit to his account for the missing or defective forms noted by the Unit Auditor. The agency, through the Unit Auditor, shall send two copies of the certificate to the Head of the National Printing Office. These copies shall contain the initials or numbers that are written on the respective card covers of the defective books or pads, or on a slip covering such information for the guidance of the National Printing Office in locating employees responsible for the error or deficiency.

SECTION 95. Permanent record book for accountable forms. — Collecting Officers/Treasurers/Property Officers accountable for receipts, stamps and other accountable forms in their possession or in the hands of deputies and other employees entrusted therewith, shall keep adequate permanent record books which should show, among other things, the whereabouts of the
accountable forms with which they are charged, the name and title of the officer or employee to whom such forms have been given, and the evidence of the receipt and subsequent sale a issuance of the same. The record books shall contain the following column headings:

a. Booklet Number/Quantity (in case of official receipt without money value)

b. Serial Number/Total value (in case of official receipt with money value)

c. Name (in print) of accountable officer to whom issued

d. Signature of accountable officer

e. Date received by accountable officer

f. Date reported totally used, sold, issued

These columns shall be utilized for recording consecutively all accountable forms in the order they are received in the office of the Collecting Officer/Treasurer/Property Officer concerned.

The recording of each batch of accountable forms received shall be headed by data on the invoice number and date, the date the accountable forms were received, the quantity, and the inclusive serial numbers and/or total value of the accountable forms.

SECTION 96. Name of the agency on the face of the official receipt. — For purposes of control, all official receipts being used by an agency shall bear the name of the agency printed stamped on the face thereof (COA Cir. 78-82, June 27, 1978).

SECTION 97. Issuance of accountable forms to accountable officers. — Accountable forms shall be issued to bonded officers only in sufficient quantities not to exceed three months' use.

SECTION 98. Report of the accountable officer. — Accountable Officers shall render a report to the COA Unit Auditor on their accountability for accountable forms at least once a month in prescribed form. Such report shall also be prepared in case of transfer of office or accountability by the accountable officer. The report shall include, among others, the name/type, quantity and serial number and/or value, of the accountable forms as of last month/period, the forms received and issued during the month/period and the balances as of end of month/period.

SECTION 99. Submission to COA auditor of obsolete, spoiled and cancelled and accountable forms. — Accountable officers shall submit to the COA Unit Auditor all obsolete, spoiled, and cancelled official receipts and other accountable forms for inspection and destruction. Under no circumstances shall accountable officers destroy on their own accountable forms of any description, then be relieved from responsibility.

In the case of obsolete accountable forms with or without fixed money value, the accountable officer shall submit to the COA Unit Auditor an inventory in four copies.
In the case of spoiled or damaged accountable forms which have fixed value, the accountable officer shall submit an affidavit in four copies stating:

a. The denomination and total value of the forms

b. The reason for the damage and the circumstance surrounding the cause of such damage or the reason for cancelling the form and the name of the officer or employee responsible.

The COA Unit Auditor or his authorized representative shall promptly inspect and destroy the accountable forms, and make a certificate of such actions below the affidavit or inventory. The destruction shall be witnessed and certified to by the accountable officer and a responsible agency official. The auditor shall return the affidavit or inventory, with his certificate of destruction, to the accountable officer who will drop the accountable forms destroyed from his Monthly Report of Accountability. The accountable officer shall attach one copy of the certified affidavit or inventory to the Monthly Report of Accountability and retain the other copy for file. The COA Unit Auditor shall keep the original copy.

In the case of spoiled or cancelled accountable forms which do not bear fixed money value, such as printed official receipts, General Form No. 13 (A), etc., the accountable officer shall submit the cancelled original and duplicate copies with the Report of Collections with such cancellation properly noted on the record or abstract of collections concerned.

Where the damage or cancellation of accountable forms is due to negligence, or lack of proper care, appropriate proceedings will be instituted against those responsible as the facts in each case may warrant.

SECTION 100. Immediate issuance of notice of loss accountable forms.—Any loss of accountable forms in the custody of collecting and property officers shall immediately be reported by the accountable officers concerned to the head of the agency. The latter shall at once issue a circular or notice of such loss for the information and guidance of all concerned to prevent the possible fraudulent use of such accountable forms. The notice to be issued shall specify the kind, quantity and inclusive serial numbers of the lost accountable forms and the place or places where, and approximate date or dates when the same were lost.

The circular or notice of loss shall be issued only for accountable forms generally used in all government agencies. In case of accountable forms specially designed for the exclusive use of an agency, the circularization shall be confined within the agency.

The head of an agency is not precluded from undertaking other measures which may prevent the fraudulent use of the lost accountable forms, like the publication of such loss newspapers of general circulation.

Compliance with the foregoing provisions shall be one of the requirements in the request for relief from accountability for the loss of accountable forms (COA Cir. 84-233, Aug. 2, 1984).
Article 6. Control of Collections

SECTION 101. Liability for loss of government funds. — Every officer accountable for government funds shall be liable for all losses resulting from the unlawful deposit, use or application thereof and for all losses attributable to negligence keeping of the same (Sec. 105, PD 1445).

SECTION 102. Notification to the auditor Application for relief from accountability. — When a loss of government funds occurs while they are in transit or the loss is caused by fire, theft, or other casualty or force majeure, the officer accountable therefor or having custody thereof shall immediately notify the Commission on Audit or the auditor concerned, and within thirty days or such longer period as the Commission or auditor may in the particular case allow, shall present his application for relief, with the available supporting evidence. Whenever warranted by the evidence credit for the loss shall be allowed. An officer who fails to comply with this requirement shall not be relieved of liability or allowed credit for any such loss in the settlement of his accounts (Sec. 73, PD 1445).

SECTION 103. Designation of custodian if the accountable officer absconds, dies or becomes incapacitated. — When an officer primarily accountable for government funds or property absconds with them, dies, or becomes incapacitated in the performance of his duties, the proper agency head shall designate a custodian to take charge of such funds or property until a successor shall have been appointed and qualified. The agency head may appoint a committee to count the cash and take an inventory of the property for which the officer was accountable and to determine the responsibility for any shortage therein. One copy of such inventory and of the report of the committee duly certified, shall be filed with the Commission but the findings of the committee shall not be conclusive until approved by the Commission or its duly authorized representative (Sec. 78(1), PD 1445).

If the absconding, deceased, incapacitated, or superseded officer is accountable for funds or property of a province or city, the custodian and committee shall be designated by the Secretary of Finance; and if accountable for municipal or barangay funds or property, by the Provincial Treasurer. In all other respects, the above-prescribed proceedings shall be observed (Sec. 78(2), PD 1445).

If the absconding, deceased, incapacitated, or superseded officer is responsible to another who is accountable, the latter may himself designate the committee or take other lawful measures for the protection of his interests.

SECTION 104. Transfer of government funds from one officer to another. — Transfer of government funds from one officer to another shall, except as allowed by law or regulation, be made only upon prior direction or authorization of the Commission on Audit or its representative (Sec. 75, PD 1445).

When government funds or property are transferred from one accountable officer to another, or from an outgoing officer to his successor, it shall be done upon properly itemized invoice and receipt which shall invariably support the clearance to be issued to the relieved or outgoing officer (Sec. 77, PD 1445).

SECTION 105. Prohibition against encashment of private checks with public funds. — At no instance should money in the hands of the collecting officer be utilized for the purpose of encashing private
checks (Sec. 67, PD 1445). A private check is a check drawn by a natural or juridical person other than a government agency.

SECTION 106. Separation of personal money from public funds. — Local treasurers and other accountable officials shall keep personal monies separate and distinct from local public funds in their custody and shall not make profit out of public money or otherwise apply the same to any use not authorized by law or ordinance (Sec. 312 RA 7160).

Chapter 4. Disposition of Public Moneys

Article 1. Deposit of National Collections

SECTION 107. Deposit in the National Treasury. — Unless otherwise specifically provided by law, all income accruing to the departments, offices and agencies by virtue of the provisions of existing laws, orders and regulations shall be deposited in the National Treasury or in the duly authorized depository of the government and shall accrue to the unappropriated surplus of the General Fund of the Government (Sec. 44, Bk VI, 1987 Adm. Code; Sec. 65, P.D. 1445).

SECTION 108. Deposit of national collections intact to the Treasury. — Public officers authorized to receive and collect moneys arising from taxes, revenues, or receipts of any kind shall remit or deposit intact the full amounts so received and collected by them to the treasury of the agency concerned and credited to the particular accounts to which the said moneys belong. The amount of moneys of the collections ultimately payable to the other agencies of the government shall thereafter be remitted to the respective treasuries of these agencies (Sec. 69, PD 1445).

SECTION 109. Deposit with the nearest authorized government depository bank. — Collecting officers shall deposit their national collections with the nearest authorized government depository bank for credit to the account of the Treasurer of the Philippines, or directly with the Bureau of the Treasury, Main Office, unless otherwise authorized.

SECTION 110. Acknowledgment of receipt of deposits. — The Treasurer of the Philippines and all authorized depository banks shall acknowledge receipt of all funds received by them, the acknowledgment bearing the date of actual remittance or deposit and indicating from whom and on what account it was received (Sec. 70, PD 1445).

SECTION 111. Frequency of deposits. — Collecting officers shall deposit their national collections intact as prescribed below:

(DBM-DOF Joint Cir. 1-81, January 1, 1981)
SECTION 112.  Separate-remittance advices. — A separate remittance advice (Gen. Form No. 14 [C]) for each agency/fund shall be prepared for every deposit. Separate sets of remittance advice shall also be prepared for the following:

a.  Redeposit/replenishment of dishonored cash items

b.  Undeposited collection at the end of any calendar deposited in the ensuing year.

SECTION 113.  Form of indorsement for deposit of checks. Depositors shall endorse checks and money orders (including those drawn to the order of the Treasurer of the Philippines) for deposit with the authorized depository bank for credit to the account of the Treasurer of the Philippines, as follows:

Date

For deposit to the Account of the

Treasurer of the Philippines under

Remittance Advice No. _____ dated

____________________

Signature

Name Title and

Station of Depositor

SECTION 114.  Expenses not deductible from amount of deposit. — Postage registration and other expenses incurred in mailing deposits shall not be deducted from the amount of the deposit. These expenditures shall be borne by the agencies concerned.

SECTION 115.  Remittance advice. — Each deposit for credit to the account of the Treasurer of the Philippines shall be accompanied by a remittance advice. The remittance advice shall be accomplished in six (6) copies and shall be consecutively numbered indicating therein the calendar year in which the deposit was made, and the number of deposits made during the year, as follows:

SECTION 116.  Listing of cash items. — If the deposit includes checks and other cash items, the following requirements in listing and sorting shall be observed.

a.  Cash items shall be sorted into the following groups:

Group 1.  Postal Money Orders
Group II. Items drawn in banks located in the same place as the PNB with which the deposit is made

Group III. Out-of-town checks

b. A separate adding machine tape shall accompany each of the foregoing groups of items. The several group totals shall be recapitulated on a separate tape together with the amount of currency and coins included in the deposit, to show the total amount appearing Remittance Advice. Each group total listed shall be identified by the numeral designating that group as indicated above.

SECTION 117. Validation of the remittance advice. — The depository shall validate the remittance advice after verifying the sum total of the cash and cash items deposited by the depositor with the totals appearing in the remittance advice. Any cash items found to be defective upon receipt of the remittance advice, the depository bank shall dishonor it outright, mark the cash item as returned in the listing, make adjustments on the lower portion of the remittance advice and validate only amount as adjusted.

In bank branches where there are validating machines, the validation number shall be imprinted on the upper right hand corner of the remittance advice. However, where there are none, the validation shall be with a rubber stamp containing the teller number, name of bank branch or agency and the date of deposit, to be initialled by the teller on the upper right hand corner of the remittance advice.

The validation number or rubber stamp of the bank branch or agency, as the case may be, shall be indicated at the back of every cash item deposited under that remittance advice for facility in tracing it back in case it is dishonored.

SECTION 118. Distribution of copies of remittance advice. — After the deposit has been made, the copies of the remittance advice shall be distributed as follows:

a. Original — copy for the Bureau of the Treasury (NCAD) to be sent by the authorized government depository bank with Daily Summary of Remittances.

b. Duplicate — copy for the authorized government depository bank.

c. Triplicate — copy for the Treasury District Fiscal Officer/Treasury Fiscal Officer (to be delivered by the authorized government depository bank) with copy of Daily Summary of Remittances

d. Quadruplicate — copy for the Agency Chief Accountant.

e. Quintuplicate — copy for Provincial, City or Agency Auditor

f. Sextuplicate — copy for collecting officer.
Remittance advices validated by the Bureau of the Treasury, Main Office shall be disposed of in the same manner as above except that the first 3 copies shall be retained by the Cash Division. Bureau of the Treasury.

Article 2. Miscellaneous Provisions on Deposits of National Collections

SECTION 119. Deposit with other treasury. — Pending remittance to the proper treasury, collecting officers may temporarily deposit collections received by them with any treasury, subject to regulations of the Commission on Audit.

The respective treasuries of these agencies shall in turn deposit with the proper government depository the full amount of the collections not later than the following banking day (Sec. 69, PD 1445).

SECTION 120. Fees, charges, assessments and other receipts of the agencies. — All fees, charges, assessments, and other receipts or revenues collected by departments, bureaus, offices or agencies in the exercise of their functions, at such rates as are now or may be approved by the Secretary concerned, shall be deposited with the National Treasury and shall accrue to the General Fund pursuant to Sec. 50 of PD 1177 (Sec. 44, Bk. VI, EO 292) and Sec. 3 of BP Blg. 325 (Sec. 2, 1991, GAA).

SECTION 121. Revolving fund. — Revolving funds shall be established and maintained only where said funds are expressly created and authorized by law.

Receipts derived from business-type activities of departments, bureaus, offices or agencies which are authorized by law to be constituted into a Revolving Fund shall be separately recorded and deposited in an authorized government depository bank. This may be made available for operational expenses of the said activity of the agency subject to the conditions prescribed under the special provisions of the agency concerned and the rules and regulations as may be prescribed by the Permanent Committee created under Section 51 of PD 1177. The Revolving and all Fund shall be self-perpetuating and self-liquidating and all obligations or expenditures incurred by virtue of said business-type activities shall be charged against the Revolving Fund: PROVIDED, That interest and other income earned shall be deposited with the National Treasury and shall accrue to the Agency's General Fund pursuant to Section 65 of PD 1445 and Sec. 29(1) of Article VI of the 1987 Constitution (Sec. 3, 1991 GAA).

SECTION 122. Trust receipts. — Receipts from non-tax sources authorized by law for specific purposes which are collected/received by a government office or agency acting as trustee, agent or administrator, or which have been received as guaranty for the fulfillment of an obligation, and all other collections classified by law or regulations as trust receipts shall be treated as a trust liability of the agency concerned and deposited in an authorized government depository bank or in the National Treasury, as the case may be, subject to the conditions prescribed under the Special Provisions of the agency concerned and to the rules and regulations as determined by the Permanent Committee created under Section 51 of PD 1177 (Sec. 45 Bk VI, EO 292). Payment out of such funds shall be made in accordance with the purpose for which the fund is created and subject to accounting and auditing rules: Provided, That deposits in authorized government depository banks shall be withdrawable, subject to existing budget, accounting and auditing rules and regulations without the need for the issuance of a Notice of
Cash Allocation: Provided, Further, That if the amount is deposited in a savings account, the interest shall accrue to the General Fund and shall be remitted to the National Treasury at the end of each quarter (Sec. 4, 1991, GAA).

In no case shall receipts be utilized for the payment of additional compensation to employees in the form of allowances, incentive pay, bonuses or other forms of additional compensation, except as may be authorized pursuant to P.D. 1597, nor shall it be used to create new positions, to augment salaries of regular personnel or to purchase motor vehicle without prior approval of the Office of the President pursuant to LOI 29; neither shall these be used to fund unauthorized activities/payments (COA-DBM Joint Cir. 9-81, October 28, 1981).

Unexpected balances of cash proceeds of trust receipts not required by law or contractual agreement to be returned to the trustor of or after completion of the project/purpose for which said trusts were received, shall revert to the Unappropriated Surplus of the General Fund (COA-DBM Joint Cir. 9-81, Supra).

SECTION 123. Seminar and conference fees. — Departments, bureaus, offices or agencies which conduct training programs approved jointly by the Department of Budget and Management and the Civil Service Commission are authorized to collect seminar and conference fees from government and private agency participants, at such standard rates as the Department of Budget and Management and the Civil Service Commission shall deem appropriate. The proceeds derived from such seminars or conferences may be made available for the conduct of such seminars and conferences, subject to pertinent budget, accounting and auditing rules and regulations: PROVIDED, That any excess therefrom shall be remitted to the National Treasury (Sec. 5, 1991 GAA).

SECTION 124. Sale of products. — Departments, bureaus, offices or agencies are authorized to sell products of agricultural, industrial or other projects, including official publications. The proceeds derived therefrom shall be deposited with the National Treasury and shall accrue to the General Fund, pursuant to Section 50 of PD 1177 (Sec. 44, Bk VI, EO 292), unless otherwise provided by law or authorized by Special Provision in the General Appropriations Act (Sec. 7, 1991 GAA).

SECTION 125. Performance bonds and deposits. — Performance bonds and deposits filed or posted by private persons or entities with agencies of the government shall be deposited with an authorized government depository bank as trust liabilities and under the name of the agency concerned. Upon faithful performance of the undertaking or termination of the obligations for which the bond or deposit was required, any amount due shall be returned to the filing party and the office or agency concerned, withdrawable in accordance with accounting and auditing rules and regulations: PROVIDED, That any interest accruing on deposit accounts and any forfeited amounts shall be recorded as income of the General Fund and shall be remitted to the National Treasury at the end of each quarter. This provision shall apply to bonds posted in cash, such as bidder's bond, guaranty bonds, bail bonds, judicial deposits for the benefit of clients, cash under litigation deposited in court or quasi-judicial bodies and other refundable amounts, and judicial bonds, and all bonds and deposits required by law, rules and
regulations to be posted to ensure the faithful performance of an activity or undertaking (Sec. 12, 1991 GAA).

Article 3. Deposit of Postmaster's Collections

SECTION 126. Use of collections to pay money orders and withdrawals. — When the exigencies of the service so require, under such rules and regulations as the Commission on Audit and the Department of Finance may prescribe, postmasters may be authorized to use their collections to pay money orders, telegraphic transfers, and withdrawals from the proper depository bank whenever their cash advance funds for the purpose have been exhausted. The amount of collections so used shall be restored upon receipt by the postmaster of the replenishment of his cash advance (Sec. 69, PD 1445).

SECTION 127. Deposit of daily postal money order collections. — Postmasters shall deposit their daily postal money order collections (net of fees) as trust liability at designated servicing bank branches for remittance to the depository bank branches (where regional current accounts are maintained) at the regional centers. However, cash advance checks of postmasters drawn against the regional current accounts may be exchanged with cash postal money order collections and such checks are to be deposited as part of collections. Duly accomplished remittance schedules (Appendix 3) and covering letter (Appendix 4) shall accompany all deposits to be validated by the servicing bank branches concerned on the date deposits are received. In addition, the servicing bank branches shall issue official receipt acknowledging receipt of deposits (DOTC Cir. 88-63, July 22, 1988, based on the approved guidelines by the Permanent Committee created under Sec. 51, PD 1177).

SECTION 128. Distribution of remittance schedules and covering letter. — Copies of the remittance schedules and covering letter shall be distributed as follows

a. Original, Duplicate, Triplicate — Servicing Bank Branches which shall forward to the Regional Director and depository bank branches the duplicate and triplicate copies respectively.

b. Quadruplicate — copy to be stamped "received" and signed by bank teller and attached to post office file copy.

c. Quintuplicate — retained at the post office file.

d. Sextuplicate — attached to the duplicate of record of payment and deposit to be submitted to Regional Chief Accountant.

(DOTC Cir 88-63, supra)

Article 4. Deposit of Collections of Local Government Units and Government-owned or-Controlled Corporations

SECTION 129. Depository accounts of local government units. — Local treasurers shall maintain depository accounts in the name of their respective local government units with banks, preferably
government-owned, located in or nearest to their respective areas of jurisdiction. Earnings of such depository accounts shall accrue exclusively thereto (Sec. 311, RA 7160).

The barangay treasurer shall deposit all collections with the city or municipal treasury or in the depository account maintained in the name of the barangay within five (5) days after receipt thereof (Sec. 334, RA 7160).

SECTION 130. Separation of books and depository accounts. — Local accountants and treasurers shall maintain separate books and depository accounts, respectively, for each fund in their custody or administration under such rules and regulations as the Commission on Audit may prescribe (Sec. 310, RA 7160).

SECTION 131. Deposit and investment of funds of government owned or-controlled corporations. — Funds of government-owned or controlled corporations other than the government financial institutions may be deposited only in demand, savings or time deposit accounts with government financial institutions. They may however be placed in trust with such financial institutions in cases where funds are expected to be available for investment purposes for a relatively long period of time (LOI 1115).

SECTION 132. Investment of amounts held in trust in behalf of government-owned or-controlled corporation or local government units. — The amounts held in trust or otherwise managed/advised for and in behalf of government-owned or-controlled corporations or of local government units shall be invested only in securities issued by the Treasury, the Central Bank or other government-owned or-controlled corporations (LOI 1115).

SECTION 133. Combined Savings and Current Accounts. — Where Combined Savings and Current Accounts (COMBO) are authorized to be maintained, deposits shall be made only through the Savings Account and withdrawals shall be made only by the issuance of checks to be drawn on approved vouchers against the Current Account. At the termination of the COMBO contract, the balance of the Savings Accounts shall be transferred to the Current Account which shall thenceforth be subject to the regulations on Current Accounts.

SECTION 134. Daily deposit of collections. — Unless otherwise allowed by law or competent authority, collections of local government units and government-owned or-controlled corporations shall be deposited intact with authorized depositories daily or not later than the next banking day.

BOOK III. EXPENDITURES AND DISBURSEMENTS

Title 1. FUND

SECTION 135. Definitions. — The following terms shall mean as they are hereunder defined, unless the context otherwise requires:

a. Fund — Fund is a sum of money or other resources set aside for the purpose of carrying out specific activities or attaining certain objectives in accordance with special regulations, restrictions or
limitations, and constitutes an independent fiscal and accounting entity (Sec. 3(1), PD 1445; Sec. 2(1), Title I(B), Bk V, 1987 Adm. Code; Sec. 306(h), RA 7160)

b. Government funds — Government funds include public moneys of every sort and other resources pertaining to any agency of the government (Sec. 3(2), PD 1445; Sec. 2(2), Title I(B), Bk V, 1987 Adm. Code).

SECTION 136. General classification of funds. — Government funds are generally classified as follows:

a. General fund — General fund is that fund which is available for any purpose to which the legislative body may choose to apply it, and is composed of all receipts or revenues which are not by law or by contractual agreement applicable to specific purpose or purposes. It is used to finance the ordinary operations of a government unit.

b. Special fund — Special fund is a fund which by legislative action, segregates specified revenues for limited purposes, often called a "special revenue fund."

c. Trust funds — Trust funds refer to funds which have come officially into the possession of any agency of the government or of a public officer as trustee, agent, or administrator, or which have been received for the fulfillment of some obligation (Sec. 2(4), Bk V(B), 1987 Adm. Code; Sec. 3(4), PD 1445).

SECTION 137. Classification of funds in the local government units.

a. Local funds — Every local government unit shall maintain a general fund which shall be used to account for such monies and resources as may be received and disbursed from the local treasury. The general shall consist of monies and resources of the local government which are available for the payment of expenditures, obligations or purposes not specifically declared by law as accruing and chargeable to, or payable from, any other fund (Sec. 308, RA 7160).

Special accounts shall be maintained in the general fund for the following:

1. Public utilities and other economic enterprises;

2. Loans, interests, bond issues, and other contributions for specific purposes; and

3. Development projects funded from the share of the local government unit concerned in the internal revenue allotment and such other special accounts which may be created by the law or ordinance.

Receipts, transfers, and expenditures involving the foregoing Special accounts shall be properly taken up thereunder.

Profits or income derived from the operation of public utilities and other economic enterprises, enterprises, after deductions for the cost of improvement, repair and other related expenses of the public utility or economic enterprise concerned, shall first be applied for the return of the advances or
loans made therefor. Any excess shall form part of the general fund of the local government unit concerned (Sec. 313, RA 7160).

b. **Special funds** — There shall be maintained in every provincial, City, or municipal treasury the following special funds:

1. **Special education fund** shall consist of the respective shares of provinces, cities, municipalities and barangays in the proceeds of the additional tax on real property to be appropriated for purposes prescribed in Section 272 of the Local Government Code.

2. **Trust funds** shall consist of private and public monies which have officially come into the possession of the local government or of a local government official as trustee, agent or administrator, or which have been received as a guaranty for the fulfillment of some obligation. A trust fund shall only be used for the specific purpose for which it was created or for which it came into the possession of the local government unit (Sec. 309, RA 7160).

SECTION 138. **Fundamental principles.** — Financial transactions and operations of any government agency shall be governed by the following fundamental principles:

a. No money shall be paid out of any public treasury or depository except in pursuance of an appropriation, law or other specific statutory authority.

b. Government funds or property shall be spent or used solely for public purposes.

c. Trust funds shall be available and may be spent only for the specific purpose for which the trust was created or the funds received.

d. Fiscal responsibility shall, to the greatest extent, be shared by all those exercising authority over the financial affairs, transactions, and operations of the government agency.

e. Disbursements or disposition of government funds or property shall invariably bear the approval of the proper officials.

f. Claims against government funds shall be supported with completed documentation.

h. Generally accepted principles and practices of accounting as well as of sound management and fiscal administration shall be observed, provided that they do not contravene existing laws and regulations. (Sec. 4, 1445)

Title 2. **APPROPRIATIONS**

SECTION 139. **Appropriation defined.** — Appropriation refers to an authorization made by law or other legislative enactment, directing the payment of goods and services out of government funds under specified conditions or for specified purposes (Sec. 2(1), Bk VI, 1987 Adm. Code; Sec. 306(b), RA 7160).
SECTION 140. Kinds of appropriations. — Generally there are appropriations for a general purpose requiring expenditures to be made for a number of incidental purposes without specifying an exact amount for any one of the incidental purposes. There are those which go into considerable detail and limit the expenditure to certain amounts for certain very specific purposes. Specifically they may be classified as follows:

a. Annual appropriation

b. Continuing appropriation

c. Contingent appropriation

d. Supplemental appropriation

SECTION 141. Annual appropriation. — An annual appropriation is an appropriation consisting of specified amounts for salaries wages, and sundry expenses, etc. authorized by Congress or other appropriate authorities as necessary for the regular operations of all the departments, bureaus and office of the Government during any given year.

It is an appropriation available for incurring obligations only during specified calendar or fiscal year and sometimes referred to as "one-year appropriation."

The annual budget in the local government refers to a financial plan embodying the estimates of income and expenditures for one (1) fiscal year (Sec. 306(a), RA 7160);

SECTION 142. Continuing appropriation. — A continuing appropriation refers to an appropriation available to support obligations for a specified purpose or project, such as those for the construction of physical structures or for the acquisition of real property or equipment, even when these obligations are incurred beyond the budget year (Sec. 2(6), Bk VI, 1987 Adm. Code; Sec. 306(c), RA 7160).

SECTION 143. Contingent appropriation. — A contingent appropriation is one provided by law out of which the executive branch of the government may supplement regular appropriations or meet emergency expenditures.

SECTION 144. Supplemental appropriation. — A supplemental appropriation is one prepared to adjust the equilibrium of the first approved budget which has been disturbed by current economic, political or social conditions, or to provide an additional amount to the original appropriations which proved to be inadequate or insufficient for the particular purpose intended.

In the local government units, no ordinance providing for a supplemental budget shall be enacted, except when supported by funds actually available as certified by the local treasurer or by new revenue sources. A supplemental budget may also be enacted in times of public calamity by way of budgetary realignment. Such ordinance shall clearly indicate the sources of funds available for appropriations, as certified under oath by the local treasurer and local accountant and attested by the local chief
executive, and the various items of appropriations affected and the reasons for the change (Sec. 321, RA 7160).

SECTION 145. Use of appropriated funds. — All moneys appropriated for functions, activities, projects and programs shall be available solely for the specific purposes for which these are appropriated (Sec. 37, PD 1177.)

The amounts released, particularly for but not limited to petroleum, oil and lubricants as well as for water, illumination and power services, telephone and other communication services, rents, retirements gratuity and terminal leave requirement, shall be disbursed solely for such items of expenditures in accordance with the duly approved Work and Financial Plan. The use of funds in violation of this section shall be null and void, and shall subject the erring officials and employees to disciplinary action under the provisions of Sections 49 and 87 of PD 1177 and to appropriate criminal action under existing penal laws (Sec. 43 & 80, Bk. VI, 1987 Adm. Code).

In the local government units, funds shall be available exclusively for the special purposes for which they have been appropriated. No ordinance shall be passed authorizing any transfer of appropriations from one item to another. However, the local chief executive or the presiding office of the sanggunian concerned may, by ordinance, be authorized to augment any item in the approved annual budget for their respective offices from saving in other items within the same expense class of their respective appropriations (Sec. 336, RA 7160).

SECTION 146. Allotment of appropriations in the national government. — In the national government agencies, authorized appropriations shall be allotted in accordance with the procedure outlined hereunder:

a. Appropriations authorized for any department, officer or agency of the Government may be made available for expenditure when the head of each department, office or agency submits to the Budget Secretary a request for allotment of funds showing the estimated amounts needed for each function, activity, or purpose for which the funds are to be expended, during the applicable allotment period. The form and the time of submission of the request for allotment showing the proposed quarterly allotments of the whole authorized appropriation for the department, office or agency, shall be prescribed by the Budget Secretary. (Sec. 333(1), Bk. VI, 1987 Adm. Code).

b. In the administration of the allotments system herein provided, each fiscal year shall be divided into four quarterly allotment periods beginning, respectively, on the first day of January, April, July and October: Provided that in any case where the quarterly allotment period is found to be impractical or otherwise undesirable, the Budget Secretary may prescribe a different period suited to the circumstances (Sec. 33(2), Bk VI, 1987 Adm. Code).

c. Requests for allotment shall be approved by the Budget Secretary who shall ensure that expenditures are covered by appropriations both as to amount and purpose. He shall consider the probable needs of the department, office or agency for the remainder of the fiscal year or period for which the appropriation was made (Sec. 33(3), Bk VI, 1987 Adm. Code). The Budget Secretary is
authorized to approved amounts different from agency estimates where necessary in order to conform with the terms of the appropriation and the prospective needs of the department, office or agency. Acting under the guidelines as may be issued by the President, the Budget Secretary shall act promptly upon all requests for allotment and shall notify every department, office, or agency of its allotments at least five days before the beginning of each allotment period. The notification is sufficient authority for the Chief Accountant to enter the allotment in the books, and includes an explanation for any change in the request of the head of the department, office or agency.

d. At the end of every quarter, each department, office or agency shall report to the Budget Secretary the current status of each appropriation, the cumulative allotments, obligations incurred/liquidated, total disbursements, and unliquidated obligations, unobligated and unexpended balances, and the results of expended appropriations (Sec. 33(4), Bk VI, 1987 Adm. Code). Such department, office, or agency may initiate or request for a change in allotments in order to adjust to altered conditions, subject to such rules and regulations as may be issued by the Budget Secretary.

e. Funds allotted for regional offices but included in the budgets of their central offices or which are specifically allocated for the different regions shall be released directly to said regional offices. Imposition of any retention or deduction as reserves shall not be allowed except as may be authorized by the Department of Budget and Management (DBM). For this purpose, the DBM shall identify by region the expenditure programs of agencies in the national government budget and shall release funds intended for them in accordance with the approved regional distribution of expenditures specifying the region of destination. Copies of fund releases to the regional offices shall be furnished the House Committee on Appropriations and the Senate Committee on Finance (Sec. 51, 1991 GAA; Sec. 5, LOI 447).

f. Fund releases from appropriations provided in the General Appropriations Act for any function/project shall be transmitted intact or in full to the office or agency concerned and no retention of deduction as reserves or overhead shall be made, except as authorized by law or upon direction of the President of the Philippines. The Commission on Audit shall ensure compliance with this provision to the extent that sub-allotments by departments and/or central agencies to their subordinate offices are in conformity with allocations in budgetary Advice of Allotments issued by the Department of Budget and Management.

g. The Budget Secretary shall have authority to modify or amend any allotment previously issued. In case he shall find at any time that the probable receipts from taxes or other sources of any fund will be less than anticipated and that as a consequence the amount available for the remainder of the term of the appropriations or for any allotment period will be less than the amount estimated or allotted therefor, he shall, with the approval of the President and after notice to the department or agency concerned, reduce the amount or amounts allotted so as to conform with targeted budgetary goals (Sec. 33(6), Bk VI, 1987 Adm. Code).

h. The Budget Secretary shall maintain records showing quarterly by funds, accounts and other suitable classifications as he may find necessary, the amounts appropriated, the estimated revenues, the
estimated revenues, the actual revenues or receipts, the amount allotted and available for expenditures, the unliquidated obligations, actual balances on hand, and the unencumbered balances of the allotments for each department, office or agency of the Government (Sec. 33(7), Bk VI, 1987 Adm. Code).

SECTION 147. Allotment system in the local government. — In the local governments, authorized appropriations shall be allotted in accordance with the following procedure:

a. In line with the operation of performance budget system, no appropriation authorized for any office or department shall be available for expenditures until the head thereof shall have submitted to the local treasurer a request for allotment of funds showing the estimated amount needed for each function, activity or purpose. The request for allotment shall be submitted twenty five (25) days before the beginning of the fiscal year.

b. The local treasurer shall review the request for allotments for conformance with the approved local budget and subsequent local legislative action. On the basis of his review, he shall recommend to the local chief executive either approval of the request or withholding of approval pending revision thereof by the office or department concerned.

c. The local chief executive, upon recommendation of the local treasurer, may reduce the allotments if necessary to keep obligations within anticipated income or if it is determined that the funds may not be needed to carry out the approved programs.

d. Offices or departments may request modification of their work plans or allotments including transfer of funds. The local chief executive, upon recommendation of the local treasurer, will consider these requests and notify the office head and other officials concerned of the action taken.

e. Advice of Allotments are released on a quarterly basis and issued by the local chief executive not less than five (5) days before the beginning of each quarter. Normally, unobligated balances of allotments at the end of the quarter are continued as available for use during subsequent quarters. In case of financial dislocation or emergencies, unspent balances of allotments at the end of the quarter will be transferred to reserve as soon as the quarter has been completed. This involves the issuance of an additional allotment advice adjusting the amounts allotted which has the effect of reducing the expenditures from the treasury at the end of the quarter.

No obligation or expenditures shall be incurred in excess of allotments and the local treasurer shall not certify to the availability of funds for such obligations or expenditures.

(Local Budget Cir. 1-75, Mar. 26, 1975, Dept. of Finance)

SECTION 148. Special budgets for lump-sum appropriations. — Expenditures from lump-sum appropriations authorized for any purpose or for any department, office or agency in any annual General Appropriations Act or other Act and from any fund of the National Government, shall be made in accordance with a special budget to be approved by the President, which shall include but shall not be limited to the number of each kind of position, the designations, and the annual salary proposed for
which an appropriation is intended. This provision shall be applicable to all revolving funds, receipts which are automatically made available for expenditures for certain specific purposes, aids and donations for carrying out certain activities or deposits made to cover the cost of special services to be rendered to private parties. Unless otherwise expressly provided by law, when any Board, head of department, chief of bureau or office or any other official, is authorized to appropriate, allot, distribute or spend any lump-sum appropriation or special bond, trust and other funds, such authority shall be subject to the provisions of this section (Sec. 35, Bk VI, 1987 Adm. Code).

SECTION 149.  Cash budgets. — An operational cash budget shall implemented to ensure the availability of cash resources for priority development projects and to establish a sound basis for determining the level, type and timing of public borrowings. The procedure, format, accounts, and other details necessary for the execution, monitoring and control aspects of the system shall be determined jointly by the Secretary of Finance, the Secretary of Budget and the Chairman, Commission on Audit (Sec. 36. Bk VI, 1987 Adm. Code).

SECTION 150.  Creation of appropriation reserves. — The Budget Secretary may establish reserves against appropriations to provide for contingencies and emergencies which may arise later in the fiscal year and which would otherwise require deficiency appropriations.

The establishment of appropriation reserves shall not necessarily mean that such portion of the appropriation will not be made available for expenditure. Should conditions change during the fiscal year justifying the use of the reserve, necessary adjustments may be made by the Budget Secretary when requested by the department, office or agency concerned (Sec. 37, Bk VI, 1987 Adm. Code; Sec. 42, PD 1177).

SECTION 151.  Suspension of expenditure of appropriations. — Except as otherwise provided in the General Appropriations Act and whenever in his judgment the public interest so requires, the President, upon notice to the head of office concerned, is authorized to suspend or otherwise stop further expenditure of funds allotted for any agency, or any other expenditure authorized in the General Appropriations Act, except for personal services appropriations used for permanent officials and employees (Sec. 38, Bk VI, 1987 Adm. Code).

SECTION 152.  Authority to use savings in appropriations to cover deficits. — Except as otherwise provided in the General Appropriations Act, any savings in the regular appropriations; authorized in the General Appropriations Act for programs and projects of any Department, office or agency, may, with the approval of the President, be used to cover a deficit in any other item of the regular appropriations: provided, that the creation of new positions or increase of salaries shall not be allowed to be funded from budgetary savings except when specifically authorized by law: provided, further, that whenever authorized positions are transferred from one program or project to another within the same department, office or agency, the corresponding amounts appropriated for personal services are also deemed transferred, without however increasing the total outlay for personal services of the department, office or agency concerned (Sec. 39, Bk VI, 1987 Adm. Code).
No law shall be passed authorizing any transfer of appropriations; however, the President, the President of the Senate, the Speaker of the House of Representatives, the Chief Justice of the Supreme Court, and the heads of Constitutional Commissions, may by law, be authorized to augment any item in the General Appropriations Act for their respective offices from savings in other items of their respective appropriations (Sec. 25(5), Art. VI, 1987 Const.). Such transfer may only if there are savings from another item in the appropriation of the government, branch or constitutional body (Demetria vs. Alba. GR. 71977, Feb. 27, 1987).

SECTION 153. Adjustment of appropriations for reorganization. — When under authority of law, a function or an activity is transferred or assigned from one agency to another, the balances of appropriations which are determined by the head of such department to be available and necessary to finance or discharge the function or activity so transferred or assigned may, with the approval of the President, be transferred to and be made available for use by the agency to which said function or activity is transferred or assigned for the purpose for which said funds were originally available. Balances so transferred shall be credited to any applicable existing appropriation account or to new appropriation accounts which are hereby authorized to be established and shall be merged with any fund already in the applicable existing or newly established appropriation account or accounts and thereafter accounted for as one fund.

The funding requirements of agencies reorganized in accordance with approved reorganization, plans or reorganized pursuant to law enacted after the approval of the General Appropriations Act, are deemed appropriated and shall be available for expenditure as soon as the reorganization plans are approved. The Budget Secretary is hereby authorized necessary adjustments in the appropriations to carry out the provision of this section. The department head concerned, with the approval of the Budget Secretary, is hereby authorized to make necessary salary adjustments resulting from final selection of personnel to fill the positions in the staffing patterns of reorganized agencies, to make necessary salary adjustments resulting from new appointments, promotions or salary increases, subject to the provisions of PD 985, as amended by PD 1597 & 6758 (Sec. 42, Bk VI, 1987 Adm. Code; Sec. 48, PD 1177).

Title 3. EXPENDITURES

Article 1. Government Expenditures

SECTION 154. Government expenditures defined. — Government expenditures include all changes against the fund of the agency for current operating expenditures, capital outlays and provisions for retirement of long term obligations. The charges are both the amounts actually paid and those incurred and recorded as liabilities to be paid in the future.

SECTION 155. Classification of expenditures — Government expenditures are classified as follows:

a. Current operating expenditure — Current operating expenditures refer to appropriations for the purchase of goods and services for current consumption or for benefits expected to terminate within the fiscal year (Sec. 2(4), Bk VI, 1987 Adm. Code; Sec. 306(f) RA 7160).
Current operating expenditures are classified into:

1. Personal Services
2. Maintenance and Operating Expenses

b. Capital outlays — Capital outlays refer to appropriations for the purchase of goods and services, the benefits of which extend beyond the fiscal year and which add to the assets of government, including investments in the capital of government-owned or-controlled corporations and their subsidiaries as well as investments in public utilities such as public markets and slaughterhouses (Sec. 2(5), Bk VI, 1987 Adm. Code; Sec. 306(d), RA 7160).

SECTION 156. Program of expenditures. — The Budget Secretary shall recommend to the President the year's program of expenditures for each agency of the government on the basis of authorized appropriations. The approved expenditure program shall constitute the basis for fund releases during the fiscal period, subject to such policies, rules and regulations as may be approved by the President (Sec. 34, Bk VI, 1987 Adm. Code).

SECTION 157. Certification of availability of funds. — No funds shall be disbursed, and no expenditures or obligations chargeable against any authorized allotment shall be incurred or authorized in any department, office or agency without first securing the certification of its Chief Accountant or head of accounting unit as to the availability of funds and the allotment to which the expenditure or obligation may be properly charged.

No obligation shall be certified to accounts payable unless the obligation is funded on a valid claim that is properly supported by sufficient evidence and unless there is proper authority for its incurrence. Any certification for a non-existent or fictitious obligation and/or creditor shall be considered void. The certifying official shall be dismissed from service without prejudice to criminal prosecution under the provisions of the Revised Penal Code. Any payment made under such certification shall be illegal and every official authorizing or making such payment, or taking part therein or receiving such payment, shall be jointly and severally liable to the government for the full amount so paid or received (Sec. 40, Bk VI, 1987 Adm. Code.)

In the local government units, no money shall be disbursed unless the local budget officer certifies to the existence of appropriation that has been legally made for the purpose, the local accountant has obligated said appropriation, and the local treasurer certifies to the availability of funds for the purpose (Sec. 344. RA 7160).

SECTION 158. Prohibition against the incurrence of overdrafts. — Heads of departments, bureaus, offices and agencies shall not incur nor authorize the incurrence of expenditures or obligations in excess of allotments released by the Budget Secretary for their respective departments, offices and agencies. Parties responsible for the incurrence of overdrafts shall be held personally liable therefor (Sec. 47 PD 1177; Sec. 41, Bk VI, 1987 Adm. Code).
In the local government units, disbursements in accordance with appropriations in the approved annual budget may be made from any local fund in the custody of the treasurer, but the total disbursements from any local fund shall in no case exceed fifty percent (50%) of the uncollected estimated revenue accruing to such local fund in addition to the actual collections provided however that no cash overdraft in any local fund shall be incurred at the end of the fiscal year.

In case of emergency arising from a typhoon, earthquake, or any other calamity, the sanggunian concerned may authorize the local treasurer to continue making disbursements from any local fund in his possession in excess of the limitations herein provided, but only for such purposes and amounts included in the approved annual budgets.

Any overdraft which may be incurred at the end of the year in any local fund by virtue of the provisions hereof shall be covered with the first collections of the immediately succeeding fiscal year accruing to such local fund (Sec. 337, RA 7160).

SECTION 159. Reversion of unliquidated balances of accounts payable. — The Commission on Audit, upon notice to the head of agency concerned, may revert to the unappropriated surplus of the general fund of the national government, any unliquidated balance of accounts payable in the books of the national government, which has been outstanding for two years or more and against which no actual claim, administrative or judicial, has been filed or which is not covered by perfected contracts on record. This Section shall not apply to unliquidated balances of accounts payable in trust funds as long as the purposes for which the funds were created have not been accomplished (Sec. 98, PD 1445).

SECTION 160. Transfer of unexpended balances to the general fund. — The Commission on Audit may transfer at any time, from moneys appropriated for a specific purpose, to the unappropriated general fund any surplus balance standing to the credit of any appropriations or fund when the officer having administrative control thereof certifies to the Commission that there is a surplus in excess of the requirements, or that the work or purpose for which the appropriation was made has been completed, indefinitely postponed or abandoned, and that there is no outstanding obligation to be paid therefrom (Sec. 99, PD 1445).

SECTION 161. Liability for illegal expenditures. — Every expenditure or obligation authorized or incurred in violation of the provisions of the Administrative Code of 1987 or of the general and special provisions contained in the annual General or other Appropriations Acts shall be void. Every payment made in violation of said provisions shall be illegal and every official or employee authorizing or making such payment, or taking part therein, and every person receiving such payment shall be jointly and severally liable to the Government for the full amount so paid or received.

Any official or employee of the Government knowingly incurring any obligation, or authorizing any expenditure in violation of the provisions herein or taking part therein, shall be dismissed from the service, after due notice and hearing by the duly authorized appointing official. If the appointing official is other than the President and should he fail to remove such official or employee, the President may exercise the power of removal (Sec. 43, Bk VI, 1987 Adm. Code).
Expenditures of funds or use of property in violation of law shall be a personal liability of the official or employee directly responsible therefor (Sec. 58, PD 477; Sec. 103, PD 1445).

Article 2. Prevention of Irregular, Unnecessary, Excessive or Extravagant or Unconscionable (IUEEU) Expenditures

SECTION 162. Irregular expenditures. — The term "irregular expenditure" signifies an expenditure incurred without adhering to established rules, regulations, procedural guidelines policies, principles or practices that have gained recognition in law. Irregular expenditures are incurred without conforming with prescribed usages and rules of discipline. There is no observance of an established pattern, course, mode of action, behavior, or conduct in the incurrence of an irregular expenditure. A transaction conducted in a manner that deviates or departs from, or which does not comply with standards set, is deemed irregular. An anomalous transaction which fails to follow or violate appropriate rules of procedure is likewise irregular. Irregular expenditures are different from illegal expenditures since the latter would pertain to expenses incurred in violation of the law whereas the former in violation of applicable and regulations other than the law (COA Cir. 85-55A, Sept. 8, 1985).

SECTION 163. Unnecessary expenditures. — The term "unnecessary expenditures" pertains to expenditures which could not pass the test of prudence or the obligation of a good father of a family, thereby non-responsiveness to the exigencies of the service. Unnecessary expenditures are those not supportive of the implementation of the objectives and mission of the agency relative to the nature of its operation. This could also include incurrence of expenditure not dictated by the demands of good government, and those the utility of which cannot be ascertained at a specific time. An expenditure that is not essential or that which can be dispensed with without loss or damage to property is considered unnecessary. The mission and thrusts of the agency incurring the expenditure must be considered in determining whether or not the expenditure is necessary (COA Cir. 85-55A, supra).

SECTION 164. Excessive expenditures. — The term "excessive expenditures" signifies unreasonable expense or expenses incurred at an immoderate quantity or exorbitant price. It also includes expenses which exceed what is usual or proper as well as expenses which are unreasonably high, and beyond just measure or amount. They also include expenses in excess of reasonable limits (COA Cir. 85-55A, supra).

SECTION 165. Extravagant expenditures. — The term "extravagant expenditures" signifies those incurred without restraint, judiciousness and economy. Extravagant expenditures exceed the bounds of propriety. These expenditures are immoderate, prodigal lavish, luxurious, wasteful, grossly excessive, and injudicious (COA Cir. 85-55A, supra).

SECTION 166. Unconscionable expenditures. — The term "unconscionable expenditures" signifies expenses without a knowledge or sense of what is right reasonable and just and not guided or restrained by conscience. These are unreasonable, and immoderate expenses incurred in violation of ethics and morality by one who does not have any feeling of guilt for the violation.

Title 4. DISBURSEMENTS
Article 1. Disbursements in General

SECTION 167. Disbursements defined. — Disbursements constitute all cash paid out during a given period either in currency or by check.

SECTION 168. Basic requirements applicable to all classes of disbursements — The following basic requirements applicable to all classes of disbursements shall be complied with:

a. Certificate of Availability of Fund. — Existence of lawful appropriation, the unexpended balance of which, free from other obligations, is sufficient to cover the expenditure, certified as available by an accounting officer or any other official required to accomplish the certificate.

Use of moneys appropriated solely for the specific purpose for which appropriated, and for no other except when authorized by law or by a corresponding appropriating body.

b. Approval of claim or expenditure by head of office or his duly authorized representative.

c. Documents to establish validity of claim. — Submission of documents and other evidences to establish the validity and correctness of the claim for payment.

d. Conformity of the expenditure to existing laws and regulations.


SECTION 169. Disbursements of government funds. — Disbursement of government funds shall be governed by the following rules:

a. Revenue funds shall not be paid out of any public treasury or depository except in pursuance of an appropriation law or other specific statutory authority.

b. Trust fund shall not be paid out of any treasury or depository except in fulfillment of the purpose for which trust was created or funds received, and upon authorization of the legislative body or head of any agency of the government having control thereof, and subject to pertinent budget law, rules and regulations.

c. National revenue and trust funds shall not be withdrawn from the national treasury except upon warrant or other instruments of withdrawal approved by the Secretary of Finance as recommended by the Treasurer of the Philippines.

d. Temporary investment of investable cash in the National Treasury in any securities issued by the National Government and its political subdivisions and instrumentalities including government-owned or-controlled corporations as authorized by the Secretary of Finance, shall not be construed as disbursements of funds (Sec 84. PD 1445)

SECTION 170. Certification and approval of disbursements in the local government units. — Vouchers and payrolls shall be certified to and approved by the head of the department or office who has administrative control of the fund concerned, as to validity, propriety, and legality of the claim involved.
Except in cases of disbursements involving regularly recurring administrative expenses, approval of the disbursement voucher by the local chief executive himself shall be required whenever local funds are disbursed.

In cases of special or trust funds, disbursements shall be approved by the administrator of the fund (Sec. 344, RA 7160).

SECTION 171. Liability for acts done upon direction of superior officer. — No accountable officer shall be relieved from liability by reason of his having acted under the direction of a superior officer in paying out, applying, or disposing of the funds or property with which he is chargeable, unless prior to that act, he notified the superior officer in writing of the illegality of the payment, application or disposition. The officer directing any illegal payment or disposition of the funds or property shall be primarily liable for the loss, while the accountable officer who fails to serve the required notice shall be secondarily liable (Sec. 106, PD 1445).

In the local government units, unless he registers his objection in writing, the local treasurer, accountant, budget officer or other accountable officer shall not be relieved of liability for illegal or improper use or application or deposit of government funds or property by reason of his having acted upon the direction of a superior officer, elective or appointive, or upon participation of other department heads or officers equivalent rank. The superior officer directing, or the department head participating, in such illegal or improper use or application or deposit of government funds or property, shall be jointly and severally liable with the local treasurer, accountant, budget officer, or other accountable officer for the sum or property so illegally or improperly used, applied or deposit (Sec. 342, RA 7160).

Article 2. Cash Advance

SECTION 172. General principles. — Ideally, cash should be handled under the general principles of the imprest system, to wit:

a. Daily receipts on collections must be deposited intact with the proper bank.

b. All payments must be made by check.

c. Only payments in small amounts may be through the petty cash fund. Replenishment of the petty cash fund shall be equal to the total amount expenditures made therefrom.

In practice, however, there are certain instances when it may be very difficult, impractical or impossible to make payments by check. In such a case, payments may be made by the disbursing officer in the form of cash through his cash advance.

SECTION 173. Definition and scope. — Cash advances are of two types, namely, the regular cash advance, and the special cash advance, as distinguished hereunder:
a. Regular cash advances are those granted to cashiers, disbursing officers, paymasters, and/or property/supply officers separately for any of the following purposes:

1. Salaries and wages
2. Commutable allowances
3. Honoraria and other similar payments to officials and employees
4. Petty operating expenses consisting of small payments for maintenance and operating expenses which cannot be paid conveniently by check or are required to be paid immediately.

b. Special cash advances are those granted on the explicit authority of the Head of the Agency only to duly designated disbursing officers or employees for other legally authorized purposes, as follows:

1. Current operating expenditures of the agency field office or of the activity of the agency undertaken in the field when it is impractical to pay by check, such as:
   — Salaries, wages and allowances
   — Maintenance and other operating expenses
2. Foreign travel expenditures, including transportation, per diems, allowances and other expenses incurred by officials and employees in connection with official travel abroad.

SECTION 174. General guidelines in the granting and utilization of cash advances. — The following general guidelines in the granting and utilization of cash advances shall be adhered to:

a. Only permanently appointed officials and employees shall be granted cash advances.

b. Only duly appointed or designated disbursing officers may perform disbursing functions. Officers and employees who are given cash advances for foreign travel need not be designated as disbursing officers.

c. Only one disbursing officer shall be assigned/designated for a specific legal purpose. Additional disbursing officers may be assigned/designated for the same purpose only when fully justified by the agency head.

d. Transfer of cash advance from one accountable officer to another shall not be allowed.

e. The cash advance shall be used only for the specific legal purpose for which it was granted. Under no circumstances shall it be used for encasement of checks or for liquidation of a previous cash advance.

f. No additional cash advance shall be allowed to any official or employee unless the previous cash advance given to him is first settled or a proper accounting thereof is made (Sec. 89, PD 1445).
g. No cash advance shall be granted on account of infrastructure or other undertakings on a project basis.

h. The accountant shall obligate all cash advances granted. He shall see that cash advances for a particular year are not used to pay expenses of other years.

i. Whenever a cash advance is subjected to cash examination by auditors, any money taken from the accountable officer supported merely by chits and forms of IOUs shall not be considered as valid disbursement even if was actually given to the official or employee who signed them.

SECTION 175. Cash advance for salaries; wages, allowances honoraria and other similar payments. — The cash advance shall be equal to the net amount of the payroll for a pay period.

The cash advance shall be supported by the following documents:

a. Copy of designation by the agency head in case the accountable officer is not a disbursing officer by appointment (attachment to initial cash advance)

b. Copy of approved application for bond (attachment to initial cash advance)

c. Payroll or list of payees with their net payments

SECTION 176. Cash advance for petty operating expenses. — The cash advance shall be sufficient for the recurring expenses of the agency for one month. The accountable officer may request for replenishment of the cash advance when the disbursements reach at least 75% or as the need requires, by submitting a replenishment voucher with all supporting documents duly summarized in a report of disbursements.

The cash advance shall not be used for payment of regular expenses such as rentals, subscriptions, light and water and the like. Payments out of the cash advance shall be allowed only for amounts not exceeding P10,000 for each transaction, except when a higher amount is allowed by law and/or specific authority by the Commission on Audit. Splitting of transactions to avoid exceeding the ceiling shall not be allowed.

The cash advance shall be supported by the following documents:

a. Copy of authority by the Agency Head (attachment to initial cash advance)

b. Copy of approved application for bond (attachment to initial cash advance)

c. Estimate of expenses

SECTION 177. Cash advance for field/activity current operating expenses (COE). — The special cash advance shall be used to pay the salaries and wages of the employees and the miscellaneous operating expenses of the activity. Payment for each transaction shall not be subject to amount limitation. However, all payments shall be approved by the director/head of field office.
The amount of the cash advance shall be limited to the requirements for two months. Within 5 days after the end of each month, the accountable officer shall submit a Report of Disbursements. Additional cash advances shall be granted based on the activity budget or the requirements for two months, whichever is lower.

The cash advance shall be supported by the following documents:

a. Copy of authority by the agency head (attachment to initial cash advance)

b. Copy of approved application for bond (attachment to initial cash advance)

c. Budget for COE of the agency field office or agency activity in the field.

SECTION 178. Cash advance for foreign travel. — The cash advances shall be supported by the following documents:

a. Authority to travel

b. Itinerary of travel

c. Authority from the Office of the President for presentation allowance

SECTION 179. Liquidation of cash advances. — Cash shall be liquidated in accordance with the following guidelines pertaining to the officials concerned:

a. The accountable officer shall liquidate his cash advance within the prescribed as follows:

1. For salaries, wages, etc. — within 5 days after each 15th day/end of the month pay period.

2. For petty operating expenses and field operating expenses — within 20 days after the end of the year; subject to replenishment during the year.

3. For foreign travel — within 60 days after return to the Philippines.

Failure of the accountable officer to liquidate his cash advance within the prescribed period shall constitute a valid cause for the withholding of his salary or appropriate administrative action.

b. The accountable officer shall prepare the Report of Disbursements in three (3) copies and submit the same with the vouchers/payrolls and supporting documents to the Accountant. For payments based on receipts and invoices only, he shall also prepare a liquidation voucher which shall be submitted with the report and the supporting documents to the Accountant. He shall ensure that receipt of the report is properly acknowledged by the Accountant.

c. Within 10 days after receipt of the report and supporting documents, the Accountant shall verify the report, record it in the books and submit the same with all the vouchers/payrolls and supporting documents to the Auditor.
d. Within 30 days from receipt of the report and supporting documents from the Accountant, the Auditor shall complete the audit. He shall issue the corresponding Credit Notice (Appendix 5) to the accountable officer to inform the latter of the amount allowed in audit and any suspensions and/or disallowances made. In case of disallowance, a copy of the Credit Notice shall be furnished the Accountant who shall record the restoration of the cash advance for the amount disallowed.

e. The accountable officer shall submit to the Auditor the documents to settle his suspensions/disallowances. When the documents are found in order, the Auditor shall lift the suspension and/or issue another Credit Notice for the settled disallowance, copy furnished the Accountant who shall draw a Journal Voucher to record the credit to the cash advance. In case of cash settlement, the accountable officer shall present the Official Receipt to the Auditor for notation.

f. The Credit Notice issued by the Auditor to the Accountable Officer shall be deemed sufficient compliance with the requirements of COA Circular 81-156 dated January 19, 1981, for the issuance of a Certificate of Settlement and Balances (CSB).

g. When a cash advance is no longer needed or has not been used for a period of two (2) months, it must be returned to or deposited immediately with the collecting officer.

h. All cash advances shall be fully liquidated at the end of each year. Except for petty cash fund, the Accountable Officer shall refund any unexpended balance to the Cashier/Collecting Officer who will issue the necessary official receipt.

i. At the start of an ensuing year, a new cash advance may be granted provided the previous cash advance has been settled or a proper accounting made thereof.

SECTION 180. Reports and documents required to support the liquidation — The following are the reports and documents required to support the liquidation of the various type of cash advances:

a. Salaries, wages, etc. —
   1. Report of Disbursements with supporting documents
   2. Duly signed payrolls and/or vouchers
   3. Pertinent supporting documents such as daily time records, approved leaves of absence etc.

b. Petty operating expenses
   1. Report of Disbursement with supporting documents
   2. Approved Requisition and Issue Voucher with the Certificate of Emergency Purchase, if necessary
   3. Receipts, sales invoices
   4. Certificate of Acceptance/inspection
5. Duly approved trip ticket, if for gasoline
6. Such other supporting documents as required by the nature of the expense
c. Current operating expenditures
1. Same requirements as those for salaries, wages and petty operating expenses, supra
2. Canvass of at least three suppliers (Not required if purchase is made while on official travel)
d. Foreign travel
1. Itinerary of travel
2. Certificate of travel completed
3. Report on trip undertaken
4. Plane, boat or bus ticket (if included in the cash advance)
5. Receipts for incidental expenses

SECTION 181. Handling, custody and disposition of the cashbook. — The following guidelines for the handling, custody, and disposition of the cashbook shall be observed:

a. A newly appointed or designated accountable officer shall start with a new cashbook. Before discharging his duties, the new accountable officer shall be briefed by the Accountant and the Auditor on the proper recording of the transactions and other matters related to his work.

b. The accountable officer shall maintain separate cashbooks for salaries, wages, allowances, etc. and for petty operating expenses. He shall record the transactions in the prescribed cashbook daily. He may record each invoice/receipt/voucher individually or the total disbursements for the day depending on the volume of the transactions.

c. The accountable officer shall reconcile the book balance with the cash on hand daily. He shall foot and close the books at the end of each month. The accountable officer and the Accountant shall reconcile their books of accounts at least quarterly.

d. The cashbooks shall be kept at the Office of the Accountable Officer and placed inside the safe or cabinet when not in use. It may be taken from his custody only by the Auditor or an official duly authorized by the agency head, who shall issue the necessary receipt.

e. When the accountable officer ceases to be one, the cashbook shall be submitted to the Accountant and shall form part of the accounting records. No clearance shall be issued to an accountable officer if he fails to submit the cashbook as required.

SECTION 182. Bonding of accountable officers. — The following the guidelines for the bonding of accountable officers:
a. Each accountable officer with a total cash accountability of P2,000.00 or more shall be bonded with the Bureau of the Treasury Fidelity Bond Division and those whose accountability is less than P2,000 shall be insured in fidelity bond only when the COA or its authorized representative shall in his discretion so direct. The amount of the bond shall depend on the total accountability (cash and cash items) of the officer as fixed the Head of the Agency. In no case shall cash advances be granted in amounts less than P2,000 each just circumvent this requirement.

b. The bonding requirements are as follows:

1. Appointment and/or designation as accountable officer;

2. Written character references by at least three officials of the Agency, one of whom is the Administrative and/or Legal Officer, other than the official who appointed/designated him.

3. Statement of assets and liabilities as of the end the preceding year;

The foregoing documents shall be submitted, together with the application for bond, to the auditor who shall fix and approve the amount of the bond and shall transmit the same to the Fidelity Bond of the Division of Bureau of the Treasury (National Treasury).

c. When the accountability is increased, the Accountant shall ensure that additional bond is applied for.

d. When the accountable officer ceases to be one, the Accountant shall immediately inform the Fidelity Bond Division of such cessation.

e. The amount of bond required of an accountable officer corresponds to his cash accountably in accordance with the following schedule:

<table>
<thead>
<tr>
<th>Minimum Cash</th>
<th>Maximum Cash</th>
<th>Amount of Bond</th>
</tr>
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<tbody>
<tr>
<td>P2,000.00</td>
<td>P3,000.00</td>
<td>P1,000.00</td>
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<tr>
<td>3,001.00</td>
<td>5,000.00</td>
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<td>12,001.00</td>
<td>15,000.00</td>
<td>10,000.00</td>
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15,001.00  18,000.00  13,500.00
18,001.00  21,000.00  16,000.00
21,001.00  25,000.00  18,900.00
25,001.00  30,000.00  20,000.00
30,001.00  35,000.00  24,000.00
35,001.00  40,000.00  28,000.00
40,001.00  50,000.00  32,000.00
50,001.00  60,000.00  35,000.00
60,001.00  80,000.00  42,000.00
80,001.00  100,000.00  56,000.00
100,001.00  250,000.00  60,000.00
250,001.00  500,000.00  150,000.00
500,001.00  750,000.00  250,000.00
750,001.00  1,000,000.00  375,000.00
1,000,001.00  5,000,000.00  500,000.00
5,000,001.00  25,000,000.00  1,250,000.00
25,000,001.00  75,000,000.00  2,150,000.00
75,000,001.00  100,000,000.00  3,750,000.00

SECTION 183. Responsibility of the agency head. — It shall be the responsibility of the Head of the Agency to ensure the proper granting, utilization and liquidation of all cash advances in accordance with these rules and regulations. (COA Cir. 90-331, May 3, 1990).

Article 3. The Modified Disbursement System

SECTION 184. Coverage — Modified Disbursement Scheme (MDS). — The Modified Disbursement System shall cover all funds appropriated in the General Appropriations Act (GAA), Public Works Acts and other supplemental appropriations for different departments including their bureaus, offices, agencies/hospitals. It shall also cover all other funds deposited with the National Treasury whether or not requiring special budgets, including Special Accounts maintained by national government agencies and those maintained by government corporations.
SECTION 185. Exemptions to Modified Disbursement Scheme. — The Scheme shall not apply to the following:

a. Revolving Fund transactions for business-type activities authorized to be deposited with a government depository bank.

b. Constructive cash requirements/disbursement scheme covering loan availments for Foreign Assisted Projects (FAPs) for which Non-Cash Availment Authority (NCAA) shall be issued by the Department of Budget and Management to the implementing agencies.

c. Utilization of foreign collections of the Department of Foreign Affairs, Bureau of Internal Revenue, Department of Labor and Employment, Department of Trade Industry and Department of Education, Culture and Sports.

d. Agency requirements directly drawn against the Special Account (Working Fund) maintained by the Bureau of the Treasury (BTR) with the Central Bank of the Philippines (CBP).

SECTION 186. General policy guidelines. — The following are policy guidelines for the institution of the Modified Disbursement Scheme (MDS):

a. The Department of Budget and Management (DBM) shall issue monthly the Notice of Cash Allocation (NCA) directly to Central Offices (COs)/Regional Offices and (ROs) and to specific Provincial Offices (POs)/Operating (OUs) covering the requirement of the agencies for each fund copy furnished the Treasury Accounts Reconciliation Division (TARD), BTR and the concerned GSB.

b. The NCA issued by the Department of Budget and Management (DBM) to the agency shall be recorded as a memorandum entry in the Allocation and Utilization Control Sheet (AUCS) to be maintained by both the Accounting and Cashiering Divisions/Units.

c. Government Servicing Banks (GSBs) shall maintain separate accounts or ledgers for each agency and by funds (Fund Codes — 101, 102, 151, etc.) using the NCA as basis to control withdrawals of government agencies.

d. The Accounting Division/Unit shall record utilization in the AUCS based on the report of Checks Issued received from the Cashier. This will be the basis in preparing the Monthly Statement of Allocation and Utilization to be submitted to DBM. The Cashiering Units, on the other hand, shall record the utilization based on the total of the Advice of Checks Issued and Cancelled which shall be entered immediately in order to monitor the balance of allocation on a daily basis.

e. Agencies authorized to maintain sub-accounts with GSBs shall reconcile their accounts monthly directly with the GSBs.

f. The cumulative totals of the allocation and utilization shall be indicated on the last page of the Trial Balance immediately after the grand totals in the following manner:

Cumulative Total

of Allocation — P xxx

Less: Cumulative

Total of Utilization xxx

———

Balance P xxx

g. Regional Offices (ROs) shall release funds to Provincial Offices (POs)/Operating Units (OU)s not receiving NCA directly from DBM, by issuing separate funding checks (MDS checks) for each allotment class. The POs/OUs shall deposit the checks with the GSB against which commercial checks shall be drawn.

h. Central Offices receiving the Advice of Allotment and NCA for projects/operations implemented by ROs shall issue funding checks to the RO which shall deposit amount to a separate current account with the GSB against which commercial checks shall be drawn.

i. All MDS and commercial checks shall be covered by duly approved Disbursement Vouchers. These checks except those issued to government employees shall be crossed and for deposit only.

j. Refunds of cash advances and overpayments shall be remitted to the National Treasury by offices receiving the NCA directly from the DBM. Those receiving funding checks shall deposit such refunds in the agency current account with GSB.

k. Any balance of deposits per books of the POs/OUs corresponding to the unobligated allotment at the end of the year, shall be withdrawn for remittance to the National Treasury and covered by a remittance advice. In case the unobligated allotment is not backed up by cash, no such withdrawal shall be made.

l. Balance of the NCA at the end of the year shall automatically expire and shall no longer be valid for use in the ensuing year.

m. Agencies shall prepare monthly Bank Reconciliation Statements using the prescribed forms for those receiving NCA and for those receiving funding checks.

n. The BTR shall prepare the overall cash reconciliation of the TOP-MDS Accounts.

(COA Cir. 93-326, Feb. 22, 1990; DOF/DBM Joint Cir. 1-90, Feb. 27, 1990)

o. Prior years' unpaid obligations shall only be paid out of NCA requested and released for the purpose in the ensuing year (DBM Cir. Letter 91-10, Nov. 22, 1991).

Article 4. Lost, Destroyed and Obsolete Checks:
SECTION 187. Definition of terms. — The terms shall mean as they are hereunder defined, unless the context otherwise requires.

a. Lost check — A check is considered lost under the following circumstances:
   1. when it is misplaced, waylaid or left behind inadvertently/negligently by the payee or holder in due course, or by the custodian/carer thereof, and after diligent search cannot be found or located.
   2. when it is lost due to fortuitous event such as fire, perils of travel, flood or typhoon or other causes due to force majeure and after diligent search cannot be found or recovered.
   3. when it is lost by theft or robbery.

b. Destroyed check — A check is considered destroyed when it is torn, mutilated, or defaced or with erasure affecting genuineness of any material information contained therein.

c. Stale check — A check is considered stale when it is outstanding for over two (2) years from date of issuance or as prescribed by the government authorized depository banks.

d. Obsolete check — A check is considered obsolete when its use/issuance is no longer authorized.

e. Fraudulently encashed MDS/other government check. — MDS/other government check is fraudulently encashed when payment is made by a bank to a person other than the payee or holder in due course.

f. Payee — refers to the person, natural or juridical, in whose name the check is issued (Sec. 52, Negotiable Instrument Law).

g. Holder in due course — refers to the holder of a check who has taken the instrument under the following conditions:
   1. that it is complete and regular on its face;
   2. that he became the holder of the instrument before it was overdue, and without notice that it had been previously dishonored, if such was the fact;
   3. that he took it in good faith and for value; and
   4. that at the time it was negotiated to him, he had no notice of any infirmity in the instrument or defect in the title of the person negotiating it.

SECTION 188. Responsibilities. — The responsibilities of the various agencies involved with lost, destroyed, stale or obsolete checks are as follows:

a. Issuing agency. The issuing agency shall:
   1. Process the request for replacement of lost, destroyed, stale, or obsolete check;
2. Approve or deny the request depending on the validity of the claim;

3. Approve the indemnity bond thereof;

4. If approved, request DBM for the release of NCA if the replacement is made in the ensuing year. If made in the current year, request for NCA is not necessary;

5. Issue the replacement check. With respect to checks, replacement shall be limited to those verified as still outstanding;

6. Issue the required certification that the government check lost in transit by bank before clearing was validly issued and that the same has not been replaced.

(COA/DBM/MOF Joint Cir. 8-85, Oct. 31, 1985)

b. Department of Budget and Management (DBM). The DBM shall be responsible for the release of NCA to cover claims for stale, lost, destroyed or obsolete check.

c. Commission on Audit (COA). The COA shall be responsible for the post-audit of the replacement of check.

SECTION 189. General guidelines in the replacement of lost; destroyed and obsolete checks. — If a check is lost, destroyed, or becomes stale or obsolete the issuing agency may issue a replacement check which shall be made under such regulation in regard to issuance and payment and upon compliance with requirements and observance of specific requirements to wit:

a. A stale and/or obsolete check shall be replaced with a new one provided the original check is presented/surrendered for cancellation.

b. MDS/other government check found to have been fraudulently encashed shall be dishonored and charged back (photo copy only) to the GSB through the BTR.

SECTION 190. Payment of lost or fraudulently encashed checks. — When any check is lost, stolen or destroyed, the issuing officer may issue a replacement check which shall be paid under the regulations of the Commission on Audit in regard to issuance and payment and upon execution of a bond to indemnify the issuing agency in such amount and with such security as the Commission may require (Sec. 96, PD 1445).

Title 5. PERSONAL SERVICES

Chapter 1. Salaries and Wages

Article 1. General requirements before payment

SECTION 191. Basic requirements. — The basic requirements for payment of salaries and wages are:
a. Existence of a legally created position with fixed compensation or emolument attached to the position

b. Issuance of a valid appointment,

c. Rendition of service being paid; and

d. Payment to the right person

SECTION 192. Existence of a legally created position with fixed compensation or emoluments. — The position should be included in the plantilla of personnel prepared by the Agency and approved by the Compensation and Position Classification Bureau (CPCB) of the Department of Budget and Management (DBM) in accordance with the General Appropriations Act showing, more or less, the following information:

a. Fiscal Year

b. Appropriation or budget item number

c. Designation of Position

d. Range/Salary Grade of Position, if classified by Compensation and Classification Bureau (CPCB)

e. Authorized and actual salary per annum

SECTION 193. Issuance of a valid appointment. — An appointment shall be issued by a person or body authorized by law to make appointments in the Philippine Civil Service in favor of a person who possesses the qualifications required by law.

An appointment shall take effect immediately upon issue by the appointing authority if the appointee assumes in his duties immediately. It shall remain effective until it is disapproved by the Civil Service Commission, if this should take place without prejudice to the liability of the appointing authority for appointments issued in violation of existing laws or rules. All appointments requiring the approval of the Civil Commission shall be submitted to it by the appointing authority within thirty days from issuance, otherwise, the appointment becomes ineffective thirty days thereafter (Sec. 9(h), PD 807) No person employed in the civil service in violation of the Civil Service Law and Rules shall be entitled to receive pay from the Government. The appointing authority responsible for such unlawful employment shall be personally liable for the pay that would have accrued had the employment been lawful. The disbursing official shall make payment to the employee of such amount from the salary of the officers so liable. Payment of salaries to persons who no longer have valid appointments due to expiration of temporary appointment, or as a result of a decision rendered by the Civil Service Commission in disciplinary cases or in protest cases where it has been ruled that a particular appointment is revoked, shall be stopped (COA Memo 83-355, Aug. 4, 1983).
SECTION 194. Rendition of service being paid. — The service must be actual and according to prescribed office or work hours, recorded on a time record, certified as correct by the employee concerned, and approved by his immediate superior.

SECTION 195. Payment to the right person. — Payment of any claim due a government official or employee shall be made directly to such official or employee except when the authority to collect the claim due him or her has been given to another person under a power of attorney or other forms of authority and the person so authorized is an immediate member of the family of the official or employee concerned or is the liaison officer duly designated by the chief or head of unit, office or agency (COA Cir. 85-248, Dec. 18, 1985, as amended by COA Cir. 86-248-A, Mar. 17, 1988).

Article 2. Regular Plantilla Items

SECTION 196. Regular plantilla items defined. — Regular plantilla items are those positions included in the Personal Services Itemization (PSI) approved by the DBM.

Among those items in the PSI are the positions of the following officials:

a. Government officials and employees holding the following appointments:

1. Original appointment
2. Appointment by reinstatement
3. Promotional appointment
4. Appointment by transfer

b. Elective officials

c. Heads and other members of Constitutional Commissions

d. Chief Justice and Associate Justices of the Supreme Court and other inferior courts

e. Officials appointed by the President

SECTION 197. Original appointment. — It is the first appointment issued to a person to hold a regular government position.

Claims of first salary under an original appointment shall be supported by the following documents:

a. Certified true copy of approved appointment;

b. Certified true copy of oath of office;

c. Evidence of service rendered;
d. Evidence or certificate of compliance with the Conditions set forth in the approval of the appointment;

e. Statement of assets and liabilities; and


SECTION 198. Appointment by reinstatement. — Any person who has been permanently appointed to a position in the career service and who has, through no delinquency or misconduct, been separated therefrom, may be reinstated to a position in the same level for which he is qualified (Sec. 26(4), Bk V(A), 1987 Adm. Code).

Payment of salaries of employees originally appointed or reinstated in the service who are already 57 years of age should not be allowed unless his reinstatement is duly approved by proper authorities (AG, OM 220, 3-1-63 citing MC 19 Off. Pres., Sec. 12(g), CA 186, as amended, Sec. 1, PD 1502).

In addition to the basic requirements for payment of salaries/wages the following are also required:

a. Certificate that appointee had enjoyed the leave, the money value of which had been commuted, prior to reinstatement or

b. Certificate that the money value of the unexpired portion of the leave has been refunded.

SECTION 199. Promotional appointment/salary adjustment. — A promotion is a movement from one position to another with an increase in duties and responsibilities as authorized by law and usually accompanied by an increase in pay. The movement may be from one department or agency to another or from one organizational unit to another in the same department or agency (Sec. 26(2), Bk V(A), 1987 Adm. Code; Sec. 24(b), PD 807).

Payments of salary differential due to a promotion or salary adjustments shall be supported by the following documents:

a. Copy of the approved appointment or salary adjustment notice

b. Certificate/Notice of Assumption to new position, in case of promotion

Salary adjustments effected by legislation are not promotions within the contemplation of Civil Service Law and Rules (Civil Service Opinions and Rulings, Vol. 1, p. 74).

SECTION 200. Appointment by transfer. — A transfer is a movement from one position to another which is of equivalent rank, level, or salary without break in service involving the issuance of an appointment. The transfer may be from one department or agency to another or from one organizational unit to another in the same department or agency: Provided, however, That any movement from the non-career service to the career service shall not be considered a transfer (Sec. 26(3), Bk V(A), 1987 Adm. Code).

Payment of salary under an appointment by transfer shall be supported by the following documents:
a. Copy of authority to transfer;

b. Clearance from cash and property accountability;

c. Certificate of last salary received from former office certified by the Chief Accountant; and

d. Certificate showing date when the appointee left his former official station.

SECTION 201. Coterminous appointment. — It is an appointment coterminous with the appointing authority or with the officers to whom the appointee is assigned.

SECTION 202. Distinction between temporary and provisional appointment. — Temporary appointment under Section 24(d) of RA 2260 is designed to fill a position needed only for a limited period not exceeding six months. Preference in filling position is given to persons on appropriate eligible list which presupposes that even non-eligibles may be appointed. A provisional appointment under Section 24(c) of RA 2260, is intended for the contingency that a vacancy occurs and the filling thereof is necessary in the interest of the service and there is no appropriate register of eligibles at the time of appointment. It is extended to a person whose civil service eligibility is not appropriate but who otherwise meets the requirement for appointment to a regular position in the competitive service. Provisional appointment is good only until replacement by one holding such appropriate eligibility, in no case to extend more than 30 days from receipt of the appointing officer of the list of eligibles (Regis, Jr. vs. Osmeña, Jr. et al., GR No. 26785, May 23, 1991).

SECTION 203. Officials appointed by the President. — The President shall nominate and, with the consent of the Commission on Appointments, appoint the heads of the executive departments, ambassadors, other public secretaries and consuls or officers of the armed forces from the rank of the Colonel or Naval Captain and other officers whose appointments are vested in him by the Constitution. He shall also appoint all other officers of the government whose appointments are not otherwise provided by law and those whom he may be authorized by law to appoint. The Congress may, by law, vest the appointment of other officers lower in rank in the President alone, in the courts, or in the heads of departments, agencies, commissions or boards.

The President shall have the power to make appointments during the recess of the Congress, whether voluntary or compulsory but such appointments shall be effective only until disapproved by the Commission on Appointments or until the next adjournment of the Congress (Sec. 16, Art. VII, 1987 Const.).

The President may temporarily designate an officer already in the government service or any other competent person to perform the functions of an office in the executive branch, appointment to which is vested in him by law, when: (a) the officer regularly appointed to the office is unable to perform his duties by reason of illness, absence or any other cause; or (b) there exists a vacancy (Sec. 17(1), Chap. 5, Bk. III, 1987 Adm. Code).

The person designated shall receive the compensation attached to the position, unless he is already in the government service in which case he shall receive only such additional compensation as, with his
existing salary, shall not exceed the salary authorized by law for the position filled. The compensation hereby authorized shall be paid out of the funds appropriated for the office or agency concerned (Sec. 17(2), Chap. 5, Bk. III, 1987 Adm. Code).

In no case shall a temporary designation exceed one (1) year (Sec. 17(2), Chap. 5, Bk. III, 1987 Adm. Code).

Appointments to positions which by express provision of law are intended to be filled by the President are to be issued only by him. Designations or appointments made by the Department Heads to said positions are legally questionable (COA Cir. 86-265, Oct. 24, 1986).

SECTION 204. Appointment issued by an officer-in-charge. — A person designated in an acting capacity may be differentiated from one who is designated merely as an Officer-in-Charge (OIC). In the latter case, the OIC enjoys limited powers which, are confined to functions of administration and ensuring that the office continues its usual activities. The OIC may not be deemed to possess the power to appoint employees as the same involves the exercise of discretion which is beyond the power of an OIC (CSC Res. 1692, Oct. 20, 1978).

SECTION 205. Salaries of elective officials. — The salaries of these officials are determined by the Constitution and other laws.

a. President and Vice-President. The salaries of the President and Vice-President shall be determined by law and shall not be decreased during their tenure. No increase in said compensation shall take effect until after the expiration of the term of the incumbent during which such increase was approved (Sec. 6, Art. VII, 1987 Const.)

b. Senators and Congressmen. The salaries of and Members of the House of Representatives shall be determined by law. No increase in said compensation shall take effect until after the expiration of the full term of all the Members of the Senate and the House of Representatives approving such increase (Sec. 6, Art VI, 1987 Const.)

No Senator or Member of the House of Representatives may hold any other office or employment in the Government or any subdivision, agency, or instrumentalities thereof, including government-owned or-controlled corporations or their subsidiaries, during his term without forfeiting his seat. Neither shall he be appointed to any office which may have been created or emoluments thereof increased during the term for which he was elected (Sec. 13, Art. VI, 1987 Const.).

c. Provincial, city, and municipal officials. The compensation of elective provincial, city, and municipal officials shall be determined by the sanggunian concerned, provided that the increase in compensation shall take effect only after the terms of office of those approving such increase shall have expired, and that said increases shall not exceed the limitations on budgetary allocations for personal services provided in the Local Government Code. Such compensation may be based upon the pertinent provisions of RA 6758, the Compensation and Position Classification Act of 1989 (Sec. 81, RA 7160).
barangay officials. — The elective barangay officials shall be entitled to such compensation, allowance, emoluments, and such other privileges as provided in the Local Government Code, and as may be authorized law or barangay, municipal or city ordinance in accordance with the provisions of the Code. No increase in the compensation or honoraria of the sangguniang barangay members shall take effect until after the expiration of the full term of all members of the sangguniang barangay approving such increase (Sec. 81, 393 and 391(10), RA 7160).

SECTION 206. Salaries of members of Constitutional Commissions. — The Constitutional Commissions which are independent bodies are the Civil Service Commission, the Commission on Audit and the Commission on Elections (Sec. 1, Art. IX(A), 1987 Const.).

The salary of the Chairmen and the Commissioners shall be fixed by law and shall not be decreased during their tenure (Sec. 3, Art. IX(A), 1987 Const.).

No member of the Constitutional Commissions shall, during his tenure, hold any other office or employment. Neither shall he engage in the practice of any profession or in the active management or control of any business which in any way may be affected by the functions of his office, nor shall he be financially interested, directly or indirectly, in any contract with, or in any franchise or privilege granted by the government, any of its subdivisions, agencies or instrumentalities, including government-owned or-controlled corporations or their subsidiaries (Sec. 2, Art. IX(A), 1987 Const.).

SECTION 207. Salaries of the Chief Justice and Associate Justices. — The salary of the Chief Justice and of the Associate Justices of the Supreme Court, and Judges of lower courts shall be fixed by law. During their continuance in office, their salary shall not be decreased (Sec. 10, Art. VIII, 1987 Const.).

Article 3. Lump Sum Appropriations

SECTION 208. Casual employees. — Casual/emergency employees are those who work for short duration the length of which depends upon the availability of funds or the work to be done. They include unskilled and skilled personnel. Casual/emergency personnel are employed for a limited period not exceeding six months, or until the completion of a particular project in which their services are hired. Their continuance in the service depends on the appointing official concerned. They are not therefore, compulsory members of the Government Service Insurance System. They are not also subject to separation pay even if they are already 65 years of age or over.

In case of any lump-sum appropriation for salaries and wages of temporary and emergency laborers and employees, including contractual personnel, provided in any General Appropriations Act or other Acts, the expenditure of such appropriation shall be limited to the employment of persons paid by the month, by the day, or by the hour (Sec. 35, Bk VI, 1987 Adm. Code).

Employees who are paid on a daily wage basis are entitled to salaries or wages during special holidays proclaimed President (PD 442, as amended).

SECTION 209. Contractual personnel. — Contractual personnel are those employed in the government in accordance with a special contract to undertake a specific work or job requiring special or technical
skills not available in the employing agency, to be accomplished within a specific period, which in no case shall exceed one (1) year and who perform or accomplish the specific work or job under their own responsibility with minimum direction or supervision (Sec. 6(4), PD 807).

SECTION 210. Compensation of contractual personnel. — When the hiring of contractual personnel is authorized in the appropriation of the agency, they may be paid compensation inclusive of fees, honoraria, per diems compensation and allowances not exceeding 120 percent of the minimum salary of an equivalent position in the National Classification and Compensation Plan, except as may be authorized by the Department of Budget and Management in the following instances:

a. when the consultant or expert is an acknowledged authority in his field of specialization; and

b. where the consultant or expert is hired to perform a specific activity or service that requires technical skill and expertise which local labor force cannot provide or, if such expertise is available, the supply is limited.

Provided that in no case shall such compensation exceed the salary of his immediate superior, except as may be otherwise approved jointly by the Civil Service Commission and the Department of Budget and Management.

SECTION 211. Hiring of contractual personnel. — In hiring of contractual personnel, the following rules must be observed:

a. Contractual personnel may be hired only if they are authorized, and funds are available to support the payment of their salaries.

b. In no case shall contractual appointments or contracts of personnel services be issued to non-technical personnel or those whose duties and functions are clerical or administrative in nature or those who will hold positions in the labor or trades and crafts groups. If such services are needed in support of the job or project, the regular staff or personnel may be augmented by hiring casual or emergency staff.

c. Contractual employees and consultants may be allowed not more than two (2) part-time contracts with two (2) government agencies at one time. In no case should they be designated Officers-in-Charge or Executive Directors or the like wherein they exercise control or supervision over regular personnel in the hiring agency. Attention in this connection is invited to the prohibition on double compensation for elective or appointive public officers or employees unless specifically authorized by law.

d. All contracts of personnel services including contracts for consultancy management services shall be submitted to the Civil Service Commission for final review and confirmation. Contracts of personnel services shall first be forwarded to the Compensation and Position Classification Bureau, DBM before they are sent to the Civil Service Commission for appropriate action pursuant to Letter of Implementation No. 29. Similarly, contracts for consultancy and management services shall first be forwarded to the NEDA Contract Review Board not later than thirty (30) days from the date of execution or signing of the contract. This provision likewise applies to the renewal of said contracts.
e. For purposes of determining the effectivity of contracts of services, the date of execution or signing between two parties shall be the controlling date, or in its absence, the date of notarization. Periods of service in the contract shall be stipulated to take effect not earlier than the date of execution or signing of the contract of both parties concerned. The contract of services issued in accordance with pertinent laws and rules shall take effect immediately upon approval and signing by the head of agency, and if the contractual employee/consultant has started his work, he shall be entitled to receive his salary at once without awaiting approval of his contract by the Civil Service Commission. The contract shall remain effective until disapproved by the Civil Service Commission. Should the contract be disapproved by the Commission, the appointing authority shall be liable for the payment of the salary of the employee concerned for actual services rendered. (CSC MC 5 s. 1985)

f. Effective January 1, 1991, the Civil Service Commission and its proper regional office shall disapprove all contractual appointments submitted to it after the date of its effectivity on 30 days from issuance thereof. Payment for services rendered by those whose contractual appointments were disapproved on account of late submission shall be the personal liability of the appointing authority concerned pursuant to Section 65, Title I-A, Book V of Executive Order No 292 (CSC Memo Cir. 54 s. 1990, Implementing CSC Res. 90-1184, Dec. 19, 1990).

SECTION 212. Inhibition against employment of private lawyers to handle legal cases of the government. — Payment out of public funds of retainer fees of private law practitioners who are so hired or employed without the prior written conformity and acquiescence by the Solicitor General or the Government Corporate Counsel, as the case may be, as well as the written concurrence of the Commission on Audit, shall be disallowed in audit and the same shall be personally liability of the officials concerned (COA Cir. 86-225, Apr. 2, 1986).

SECTION 213. Merit Increase. — The budgets of national government agencies may be provide for a lump sum for merit increases, subject to such terms and conditions as may be approved by the President. Such lump sum shall be used to fund salary increases approved by the head of the agency in recognition of meritorious performance, provided that the Civil Service Commission and the Department of Budget and Management shall jointly issue the rules and regulations governing the granting of such merit increases (Sec. 61, Chap. 7, Bk VI, 1987 Adm. Code).

Local executives may grant, subject to the approval of the governor, monetary or other awards chargeable to the appropriations set aside for the purpose or available savings to deserving employees with superior accomplishments and meritorious personal efforts, contributing to the efficiency, economy or improvement of government operations during the calendar year.

There shall be an established government-wide employee suggestions and incentive awards system which shall be administered under such rules, regulations, and standards as may be promulgated by the Civil Service Commission.

In accordance with the rules, regulations, and standards promulgated by the Civil Service Commission, the President or the head of each department or agency is authorized to incur whatever necessary expenses are involved in the honorary recognition of subordinate officers and employees of the
government who by their suggestions, inventions, superior accomplishments and other personal efforts contribute to the efficiency, economy or improvement of government operations or who perform such other extraordinary acts or services in the public interest in connection with or in relation to their official employment.

Article 4. Salaries under Special Circumstances

SECTION 214. Salaries for substitutionary services. — When an official or employee is issued a duly approved appointment in a temporary or acting capacity to take the place and perform the duties of another who is temporarily absent from his post with pay, savings in the appropriation of the office or agency may be used to pay his salary or differential subject to the approval of the Secretary of Budget and Management (Sec. 62, Chap. 7, Bk VI, 1987 Adm. Code; Sec. 68, PD 1177).

SECTION 215. Salaries of an officer temporarily designated by the President. — Any provision of existing law to the contrary notwithstanding, when an officer in the Executive Department of the Government, appointed by the President of the Philippines with the consent of the Commission on Appointments or by the President alone, is unable to perform the duties of his office owing to illness, absence, or other cause, or in case of a vacancy in the office, the President may designate another officer already in the service or any other competent person to act temporarily in said office, and such person shall, during the period of his temporary incumbency, receive the compensation corresponding to the regular incumbent, which compensation shall be paid out of the appropriations for the office concerned, unless he is already in the Government Service in which case he shall receive only such additional compensation as, with his existing salary, shall not exceed the salary authorized by law for the position filled: Provided, that with respect to vacancies in offices the regular incumbents of which are appointed by the President with the consent of the Commission on Appointments, such temporary designation and any others made to the same office during the period of such vacancy shall in no case continue beyond the date of the adjournment of the regular session of Congress next following such designation (Sec. 1, CA 588).

SECTION 216. Salaries of employees on detail or temporary assignment. — A detail is the movement of an employee from one department or agency to another without the issuance of an appointment, and shall be allowed only for limited period in case of employees occupying professional, technical and scientific positions. Detail is temporary and the employee concerned does not lose his position (Sec. 24(f), PD 807).

The following guidelines shall be observed regarding detailed employees:

a. The salary of all employee detailed on a part time or full time basis from a department, bureau or office of the National Government, to a corporation owned or controlled by the Government or from one government corporation to another corporation shall be paid by the office requesting such detail.

b. The salary of an employee detailed on a part-time full-time basis from a bureau or office of the National Government to a similar office or instrumentality of the Government shall be paid either by the
office requesting such detail or by the mother agency depending on an agreement mutually acceptable to the requesting office and the mother agency.

c. Services of employees covered by items (a) and (b) above shall be considered service rendered to the mother agency.

d. No detail shall be allowed outside the original station for more than three (3) months without the consent of the employee concerned (CSC MC 5, supra; Sec. 24(f), PD 807).

e. The Secretary or the head of the agency concerned shall submit a written request to the head of the Department or agency, under which the personnel sought to be detailed is employed. The request shall state the organizational unit where the personnel is proposed to be detailed, the period of detail and shall specifically explain the reasons for the detail (CSC MC 5, supra).

f. No request for detail shall be approved, unless the concurrence of the supervisor of the personnel sought to be detailed is obtained in writing (CSC MC 5, supra).

g. Clearance and approval of the Civil Service Commission shall be required for details requiring a period exceeding one year and involving the performance of regular and recurring functions in the agency where the personnel is to be detailed. Said request shall be supported by a justification statement, the proposed period of detail or plan and timetable for disengagement or plan for the eventual transfer, if any, of said personnel to the agency (CSC MC 5, supra).

h. An employee in the career service holding professional, scientific or technical position detailed or assigned either on a full time or part time basis outside of the bureau or office where he is regularly employed or performing within the same bureau or office a kind of work which is different from that for which the position he occupies has been provided must be supported by an order issued by the head of the agency or office or the proper appointing authority, approved by the Commissioner of Civil Service (MC 1136, Off. of the Pres.).

i. No member of the Armed Forces in the active service shall at any time be appointed or designated in any capacity to a civilian position including government-owned or-controlled corporations or any of their subsidiaries (Sec. 5(4), Art. XVI. 1987 Const.).

SECTION 217. Salaries of employees called to military service. — Where a government officer or employee is called to military service or given extended tour of active duty under the National Defense Act and is entitled to compensation from the Armed Forces of the Philippines (AFP) during such service or tour of duty, the AFP shall directly pay him said compensation chargeable against appropriations for the Department of National Defense.

Where his salary in his civil position is more than the rate, he would receive from he AFP, the province, city or other government agencies concerned shall directly pay him the excess from its own appropriations, provided that an employee with temporary status shall be paid such excess only upon receipt of the corresponding statement from the AFP of the employee's services during the period or month involved and of the salary already paid to him by the AFP.
Where his salary in his civil position is equal to or less than the rate he would receive from the AFP, the civilian office shall pay him nothing.

Where he would receive no salary from the AFP, the civilian office shall directly pay him his salary in his civil position, provided that all employee with temporary status shall be paid his salary only upon receipt of the corresponding statement from the AFP of the employee's service during the period or month involved. In view, however, of the fact that temporary employees are now entitled to vacation and sick leave with pay as the regular employees are under Republic Act No. 218, such payment may be affected regularly.

SECTION 218. Salary of de facto officers. — An officer de facto is one whose acts, though not those of a lawful officer, the law, upon principles of policy and justice, they will hold valid so far as they involve the interests of the public and the third persons, where the duties of the office were exercised, as in the following situations:

a. Without a known appointment or election, but under such circumstances of reputation or acquiescence as were calculated to induce people, without inquiry, to submit to or invoke his action, supposing him to be the officer he assumed to be.

b. Under color of a known and valid appointment or election; but where the officer has failed to conform to some precedent requirement or condition, as to take an oath, give a bond, or the like;

c. Under color of a known election or appointment, void because there was a want of power in the electing or appointing body, or by reason of some defect or irregularity in its exercise, such ineligibility, want of power or defect being unknown to the public; and

d. Under color of an election, or appointment by or pursuant to a public unconstitutional law, before the same is later adjudged as such (22 R.C.L. 588; citing State v. Caroll, 38 Conn 449; Luna vs. Rodriguez, 37 Phil. 186).

Since the collection of the salary annexed to the office is an incident to the title, a de facto officer has no legal right to the emoluments of the office. However, there have been certain recognized exceptions to this rule and some of them are:

a. When the mistake or error in the preparation of the appointment is attributable to the person preparing such appointment and there has been no fraud on the part of the appointee in securing such appointment; and

b. When no other person is an adverse claimant as a de jure appointee for the same position. An officer de jure is one who has the lawful right to the office in all respects, but who has either been ousted from it, or who has never actually taken possession of it.

SECTION 219. Salaries or wages of officials and employees on strike against the government. — The terms and conditions of employment in the Government, including any political subdivision or instrumentality thereof, are governed by law and it is declared to be the policy of the government that
employees therein shall not strike for the purpose of securing changes or modification in their terms and
conditions of employment, or seeking redress from official action (Sec. 28(c), RA 2260).

Subject to existing Civil Service law, rules and regulations and the proper administrative proceedings, no
part of the appropriations or any fund available for expenditures by any department, agency or office
shall be used to pay the salary or wage of any official or employee engaging in a strike against the
Government of the Philippines or who is a member of any organization of government employees that
in the opinion of the Secretary of Justice asserts the right to strike against the Government of the
Philippines (Sec. 69, PD 1177).

For the purpose hereof, an affidavit shall be considered sufficient evidence that the person making the
affidavit has not, contrary to these statutory requirements, engaged in a strike against the Government,
and is not a member of an organization that advocates the overthrow of the Government by force or
violence.

Salaries during strikes may be paid if the employees reported for duty in their place of work but were
prevented from entering their place of work.

The foregoing provisions of law shall apply only to employees employed in agencies performing
governmental functions and not to those employed in proprietary functions of the Government
including but not limited to government corporations (Sec. 28. RA 2260).

SECTION 220. Salary during suspension. — The proper disciplining authority may preventively suspend
any subordinate officer or employee under his authority pending an investigation, if the charge against
such officer or employee involves dishonesty, oppression or grave misconduct, or neglect in the
performance of duty, or if there are reasons to believe that the respondent is guilty of charges which
would warrant his removal from the service (Sec. 41, PD 807).

When the administrative case against the officer or employee under preventive suspension is not finally
decided by the disciplining authority within the period of ninety (90) days after the date of suspension of
the respondent who is not a presidential appointee, the respondent shall be automatically reinstated in
the service; Provided, That when the delay in the disposition of the case is due to fault, negligence or
petition of the respondent, the period of delay shall not be counted in computing the period of
suspension herein provided (Sec. 52, Bk V(A), 1987 Adm. Code, Sec. 42, PD 807).

The defendant in an anti-graft case, if acquitted in the trial, is entitled to reinstatement and to the
salaries and benefits he failed to receive during the suspension, (Bayot vs. Sandigang Bayan, 128 SCRA
383; Sec. 13, R.A. 3019) unless in the meantime, administrative proceedings have been filed against him.
(Sec. 13, R.A. 3019).

When the respondent in an administrative case who is not a presidential appointee, is preventively
suspended but subsequently exonerated, or when his suspension is unreasonable or unjustified, or
when the administrative case is dropped for lack of evidence; is entitled to automatic reinstatement and
to back wages during the period of his suspension, but not to exceed 5 years at the rate last received by him before his suspension (Miranda vs. COA, GR No. 84613, Aug. 16, 1991; Sec. 42, P.D. 807).

An employee who is reinstated after having been illegally dismissed is considered as not having left the office should be given comparable compensation at the time of his reinstatement in an amount not exceeding 5 years salary regardless of whether the period of illegal dismissal exceeds 5 years. Such employee cannot be faulted for his inability to work or render any service as a result of his illegal dismissal because this was not his own making or liking. If dismissal was due to bad faith or personal malice of superior officers, they will be held personally accountable for the employee's back wages (Gabriel vs. Hon. Eufemio C. Domingo, GR No. 87420, Sept. 17, 1990).

The death of a respondent official or employee terminates administrative proceedings against him and entitles his heirs to all the benefits due him together with his unpaid salaries from the date of his suspension to the date of his death (4th Ind., CSC, Mar. 17, 1956).

All fringe benefits which do not form part of their salaries may not be allowed.

Claims for salary during suspension shall be supported by copies of these documents:

a. A certified true copy of the order of exoneration or of court's order dismissing the criminal case against the employee or absolving him; or

b. A certified true copy of the authority granted by the department head for the payment of salary during suspension; or

c. A certified true copy of the President's order of exoneration providing for payment of salary during suspension.

SECTION 221. Preventive suspension. — In the local governments, preventive suspension may be imposed:

a. By the President, if the respondent is an elective official of a province, a highly urbanized or an independent component city;

b. By the governor, if the respondent is an elective official of a component city or municipality; or

c. By the mayor, if the respondent is an elective official of the barangay.

Preventive suspension may be imposed at any time after the issues are joined, when the evidence of guilt is strong, and given the gravity of the offense, there is great probability that the continuance in office of the respondent could influence the witnesses or pose a threat to the safety and integrity of the records and other evidence, provided that any single preventive suspension of local elective officials shall not extend beyond sixty (60) days; provided further that in the event that several administrative cases are filed against an elective official, he cannot be preventively suspended for more than ninety (90) days within a single year on the same ground or grounds existing and known at the time of first suspension.
Upon expiration of the preventive suspension, the suspended elective official shall be deemed reinstated in office without prejudice to the continuation of the proceedings against him, which shall be terminated within one hundred twenty (120) days from the time he was formally notified of the case against him. However, if the delay in the proceedings of the case is due to his fault, neglect, or request, other than the appeal duly filed, the duration of such delay shall not be counted in computing the time of termination of the case (Sec. 63, RA 7160).

SECTION 222. Salary of respondent elective local official during suspension. — The respondent elective local official preventively suspended from office shall receive no salary or compensation during such suspension; but, upon his subsequent exoneration and reinstatement, he shall be paid full salary or compensation including such emoluments accruing during such suspension (Sec. 64, RA 7160).

SECTION 223. Execution pending appeal. — An appeal on a decision in an administrative case shall not prevent the decision from becoming final or executory. The respondent elective local official shall be considered as having been placed under preventive suspension during the pendency of an appeal in the event he wins such appeal. In the event the appeal results in an exoneration, he shall be paid his salary and such other emoluments during the pendency of the appeal (Sec. 68, RA 7160).

SECTION 224. Effectivity of recall. — The recall of an elective local official shall be effective only upon the election and proclamation of a successor in the person of the candidate receiving the highest number of votes cast during the election on recall. Should the official sought to be recalled receive the highest number of votes, confidence in him is thereby affirmed, and he shall continue in office (Sec. 72, RA 7160).

SECTION 225. Preventive suspension of appointive local officials and employees. — The local chief executive may preventively suspend for a period not exceeding sixty (60) days any subordinate official or employee under his authority pending investigation if the charge against such official or employee involves dishonesty, oppression or grave misconduct or neglect in the performance of duty, or if there is reason to believe that the respondent is guilty of the charges which would warrant his removal from the service.

Upon expiration of the preventive suspension, the suspended official or employee shall be automatically reinstated in office without prejudice to the continuation of the administrative proceedings against him until its termination (Sec. 85. RA 7160).

SECTION 226. Salary during attendance in administrative, civil or criminal investigation. — When absence is considered service in regular course:

a. When a witness in a criminal case — When an officer or employee is summoned by a court or is required by lawful authority to render service as a witness in a criminal case, such service shall be deemed to be service in the regular course of employment and the officer employee concerned will be entitled to his salary during the period of such service payable by the office to which he pertains, regardless of whether he has served for or against the prosecution in such criminal case.
b. When a witness in his own behalf in a criminal or administrative proceeding — The attendance of a witness in his own behalf, to secure his exoneration from charges or matter alleged against him is attendance of his own benefit. If he is not under suspension, the time consumed in such attendance shall be charged to his leave, if he has any. Upon exoneration, however, when the case in which he is the accused or the respondent is the direct result of an act performed by him in connection with his official duties, his absence charged to his leave may be readjusted and his attendance in court considered as service in due course. But when the criminal charges filed are not the direct act performed by him in connection with his official duties, forced absences from duty resulting from his arrest required attendance in court may not be considered official. He shall not in such case be entitled to salary.

c. When a witness in a civil case between two private parties, and in which the Government has no interest — A witness is not obliged to attend as such in a civil action before any court, judge, justice, or other officer out of the province in which he resides, unless the distance be less than fifty kilometers from his place residence to the place of trial by the usual course of travel. Therefore, an employee cited to appear in a civil case between two private parties wherein Government has no interest, in order to testify as to knowledge of fact obtained by him in his official capacity, shall not be entitled to salary for absence on account of such appearance if the distance from his place of residence to the place of trial by the usual course of travel be more than fifty kilometers. If the distance involved is less than fifty kilometers, and the officer or employee is cited as a witness in a civil case involving private persons as litigants for knowledge or fact acquired by him in his private capacity, his absence will be chargeable against him without prejudice to his right to seek reimbursement from the party at whose instance he testified If such witness testifies on a case from knowledge or fact acquired by him in his official capacity, or to produce official papers or documents, and the distance between his place of residence and the place of trial is less than fifty kilometers, his appearance will be considered service in due course, but in such a case the province, city or municipality to which he pertains shall collect witness' fees for his appearance under the conditions prescribed by the Rules of Court.

SECTION 227. Prohibition against voluntary service. — Unless otherwise specifically approved by the President, no person shall be employed or appointed in the government under the guise of voluntary service, with compensation below the authorized hiring rate for the position but with privilege of transportation and/or representation expenses in any form, or of receiving per diems, allowances, honoraria, subsistence, quarters in cash or in kind, payable from government funds: provided, that the application of this provision may be waived to authorize voluntary service in the Armed Forces of the Philippines or in connection with relief operations (Sec. 65, Bk VI, 1987 Adm. Code).

Article 5. Additional or Double Compensation

SECTION 228. Basic statutory prohibitions. — No elective or appointive Public officer or employee shall receive additional double, or indirect compensation unless specifically authorized by law (.Sec. 8, Art IX(b), 1987 Const.; Sec. 46, PD 807).

SECTION 229. Authority to receive additional compensation. — Officials and employees who are duly appointed by the competent authority to any position in another government office or agency in a
concurrent capacity, may in the discretion of the President, be allowed to receive additional compensation in the form of allowances or honoraria at such rates he shall fix and subject to such conditions as he may prescribe. Such additional compensation shall be paid from the appropriations of the office or agency benefiting from the concurrent service (Sec. 59, Bk VI, 1987 Adm. Code).

However, under Sec 13, Art. VII of the 1987 Constitution, the President, Vice-President, the members of the cabinet and their deputies or assistants, shall not, unless otherwise provided in the constitution, hold any other office or employment during their tenure.

Pensions or gratuities shall not be considered as additional, double or indirect compensation (Sec. 8, Art. IX(b), 1987 Const.).

The contemplation of the Constitutional provisions which authorizes additional or double compensation is construed to mean statutes passed by the national legislative body (this includes decrees issued by the President under the martial law regime); it does not include ordinances or resolutions passed by local legislative bodies or governing boards, as the case may be (COA Dec. 77-110, June 1977).

Article 6. Leave of Absence

SECTION 230. Vacation and sick leave. — Vacation leave refers to leave of absence allowable for personal reasons, the granting of which must be contingent upon the necessities of the service.

Sick Leave refers to leave of absence granted on account of sickness of the employee or any of his legal dependents.

SECTION 231. General provisions in the granting of vacation and sick leave. — Coverage, requisites, annual forced vacation leave, etc.

a. After at least six months of continuous, faithful and satisfactory service, officers, employees and laborers of the national, provincial and municipal governments, including those of government-owned or-controlled corporations, whether permanent or temporary except Secretaries and Under Secretaries of Departments, Justices of the Supreme Courts, Judges of the First Instance, Member of the Judiciary, persons in the teaching service, craftsmen and classified apprentices of the National Printing Office, and officers and employees of the foreign service, are entitled to fifteen days each vacation and sick leave with full pay, exclusive of Saturdays, Sundays and holidays, for each year of service. The matter of earning vacation and sick leave credit is contingent not on the discretion of the head of office, but on the services actually rendered on a full-time basis by the employee concerned, whether permanent or temporary, emergency or seasonal (Sec. 1, RA 2625).

b. All accumulated leaves earned as of June 16, 1960 shall be inclusive of Saturdays, Sundays and holidays while those earned beginning June 17, 1960 shall be exclusive of Saturdays, Sundays and holidays. Leaves earned in both instances shall be treated separately and in no case combined.

c. The annual forced vacation leave of five days mandated under EO #1077 dated January 9, 1986, which need not be successive, shall be strictly complied with. Those with accumulated vacation leave of
less than ten (10) days shall have the option to go on scheduled vacation leave or not (CSC MC 10, s. 1988).

d. Elective local officials shall be entitled to the same leave privileges as those enjoyed by appointive local officials, including the cumulation and commutation thereof (Sec. 81, R.A. 7160).

e. Casual or emergency employees may be entitled to vacation and sick leave after they have rendered at least six months' service in the aggregate, provided such six-month period in each case does not involve a single break of more than one week and/or several breaks of one to three days, the total of which should not exceed 15 days.

f. Leave credits cannot be availed of in the following instances:

1. A person who has separated by virtue of court conviction is not entitled to the commutation of vacation and sick leave to his credit, his separation is considered as though his fault (COA Dec. 217, Aug. 7, 1979).

2. An official, employee or laborer of the government who upon termination of the administrative case filed against him is considered resigned without prejudice to reinstatement, shall not be considered as voluntarily separated, and shall not fall within the benefits guaranteed under Section 286 of the Revised Administrative Code. The separation not being voluntary but for cause, such official employee or laborer is not entitled to commutation of leave credits. Such earned leaves shall be considered forfeited immediately upon separation from the service. (Opinion of the Sec. of Justice, No. 144 series of 1958; Ex. Sec. 10th Ind., dated August 8, 195).

3. Application for leave for purposes of working in private or other government office either outside or inside the country is not allowed (CSC MC 15 s. 1989; COA Memo 89-606, May 29, 1989).

SECTION 232. Computation of vacation and sick leave. — Following rules shall be observed in the computation of vacation and sick leave:

a. Vacation and sick leave shall be computed on the basis of one day's vacation leave and one day's sick leave for every 24 days of actual service. The term "actual service" refers to the period of continuous service since the appointment of the employee concerned, including the period or periods covered by any previously granted leave with pay. Leave of absence without pay for any reason other than illness shall not be counted as part of the actual service rendered.

b. When vacation and/or sick leave is requested by any officer or employee during the first six months service from the date of original appointment or reinstatement, the head of department or agency shall state in his indorsement the date on which payment for such leave may properly be made under the provisions of Commonwealth Act 220. Unless the President or proper head of department directs otherwise, on account of illness of the applicant or of any member of his immediate family, the head of department or agency shall require that payment for such leave be withheld until the date stated.
c. In computing the length of service of an employee paid on the daily wage basis, Saturdays, Sundays or holidays occurring within a period of service shall be considered as service although he did not receive pay on those days inasmuch as his service was not then required.

d. A fraction of one-fourth or more but less than three-fourths shall be considered as one-half day and a fraction of three-fourths or more shall be counted as one full day for purposes of granting leave of absence.

e. Where an employee fails to render the required service on a regular day for which a half-day holiday is declared, he shall be charged with a full day's absence.

f. An employee paid on a daily basis is not entitled to compensation for Saturday, Sunday or public holiday unless service is especially required and rendered on that day. Accordingly, Saturdays, Sundays, or regular holidays occurring within the period of leave shall not be charge against his vacation or sick leave.

g. Heads of executive departments are allowed unrestricted leave on account of illness or for any other cause: Provided, That the absences are not incompatible with interests of the service.

h. An Undersecretary's leave shall be regulated, in the discretion of the Department Head., either by the existing provisions governing the leave of Judges of Courts of First Instance, or by the general provisions of the Civil Service Rules (Sec. 4(2), Rule XVI, CSC Rules).

i. Heads of Departments and Undersecretaries may be allowed vacation and sick leave after their separation from the service: Provided, That they have not availed themselves of the unrestricted or judges' leave, respectively (Sec. 4(b), Rule XVI CSC Rules).

j. Under Republic Act 2625, employees whose work schedules are irregular and at times include Saturdays, Sundays and legal holidays and are, instead, off duty on other days, their off-duty days, regardless of whether they fall on Saturdays, Sundays, or holidays during period of their leave, are to be excluded in the computation of vacation and sick leave. In other words, if an employee is off duty, say for two days in a week and these days fall either on ordinary working, days or Saturdays, Sundays and holidays, these days occurring within the period of authorized leave are to be excluded in the deduction of the number of days of leave from the earned leave credit of the employee (AG MC 450).

k. Any absence not chargeable as sick leave during the first six months of service, which is in excess of leave ordinarily allowable for six months, shall extend the completion of such service for the same number of days that an officer or employee was absent.

1. In bureaus and offices, where Saturday duties or sessions are held, Saturdays should not be excluded in the computation of vacation and sick leave inasmuch as the services of the employees in such bureaus and offices are required on Saturdays. Only Sundays and holidays should be excluded in the computation of vacation and sick leave of employees in clinics, pavilions and hospitals where Saturday sessions are held.
When an employee transfers from one government agency to another, his unused vacation and/or sick leave credits shall likewise be transferred but not its corresponding money value.

SECTION 233. Commutation of vacation and sick leave. — The following rules shall govern the commutations of vacation and sick leave.

a. The proper Department/Agency Head may in his discretion, authorize the commutation of the money value of leave that would be received during the period of vacation and sick leave of any official or employee. Its payment may be on or before beginning of such leave from the fund out of which the salary would have been paid. Commutation of money value of vacation and sick leave shall not be allowed where person requesting such payment is likely to be recalled to duty during the period of the leave granted. The restoration of leave credits for officers or employees who were granted commutation of their vacation and sick leave is not allowable except in cases of recall to duty from leave of absence. Even then the exigencies of the service warranting such recall are always taken into consideration in passing upon such case.

b. Any officer or employee of the government who retires or voluntarily resigns or is separated from the service through no fault of his own on or after January 9, 1986 shall be allowed commutation of accumulated leave in excess of 300 days provided his leave benefits are not covered by any special law (CSC MC 8, s. 1989).

SECTION 234. Monetization of leave/service credits. —

a. Officers and employees in the career and non-career service, whether permanent, provisional, temporary or casual, who have accumulated at least fifteen (15) days vacation leave/service credits shall be allowed to monetize a portion of their vacation leave/service credits.

b. An officer or employee shall be allowed to monetize a maximum of ten (10) working days vacation leave/service credits. It shall be availed of only once a year.

c. If an officer or employee does not avail of the privilege of monetizing his vacation leave/service credits in a year, it shall be deemed included in his accumulated leave credits.

d. An officer or employee who availed of the maximum ten (10) days vacation leave/service credits shall still can go on five (5) days forced leave as provided for under EO 1077 dated January 9, 1986.

e. Teachers who have accumulated service credits may also avail of this privilege provided that the service credit shall be converted to vacation and sick leave in accordance with the Conversion Rate of Service Credits prescribed in Item 2.2 of CSC MC No. 9, s. 1988.

f. Any employee who avails of this privilege shall not be allowed to go on vacation leave simultaneous with the monetization of leave credits. This provision shall however, not be applied to those who shall go on sick leave.
g. Funding for the monetization of vacation leave credits/service credits shall be charged against savings of the department, agency, government owned or controlled corporation or local government unit concerned. Provided, that in the utilization of savings, agencies shall give priority to payment of monetized leave credits/service credits and provided further that employees holding positions below salary grade 19 shall be given preference in the availment of the privilege (Joint CSC and DBM Cir. No. 1, s. 1991).

SECTION 235. Maternity leave. — Maternity leave of absence, in addition to vacation and sick leave, granted to married women who are permanently, provisionally or temporarily appointed in the Government or in any of its branches, subdivisions, agencies or instrumentalities including government-owned and/or-controlled corporations, in case of pregnancy or abortion, irrespective of frequency in relation to a period. Claims shall be supported by:

a. An approved application for leave, accompanied by a medical certificate showing that the married woman is on the family way and nearing delivery

b. Marriage certificate for first payment

c. Certificate of clearance

SECTION 236. Maternity leave of permanent and regular employees. — The following rules on maternity leave apply to permanent and regular employee:

a. A permanent and regular employee who has rendered two or more years of continuous service, exclusive of service under provisional or temporary status, is entitled to sixty calendar days, inclusive of Saturdays, Sundays and holidays.

b. An employee who has rendered less than two years of continuous service is entitled to sixty days with half pay (Sec. 12, Rule XVI, CSC Rules).

SECTION 237. Maternity leave of provisional or temporary employees. — Provisional or temporary employees on maternity leave are governed by the following rules:

a. A provisional or temporary employee who has rendered two or more years of continuous service is entitled to sixty days with half pay although she was laid off or separated from the service prior to delivery or abortion; provided the date of delivery or abortion should occur within the period of sixty days allowed by law (2nd Ind. CSC, Dec. 27, 1955).

b. The grant of 60 days maternity leave is mandatory on the part of the office or agency concerned. However, the married woman concerned is not required to enjoy to the full 60 days maternity leave allowed her but may, on her option, and if her health permits, return to duty at anytime before the expiration of the 60-day period. (6th Ind. CSC, May 18, 1958).

c. A provisional or temporary employee who has rendered less than two years is entitled to a number of days with pay on the ratio of thirty days to two years of continuous service.
d. A provisional or temporary employee who passed a civil service examination given before the date of the application for maternity leave but the results of which examinations were released after such date of application, shall be entitled to the maternity leave granted to regular employees as the date when said examinations were given: Provided, That the eligibility is appropriate for appointment to the position and the salary attached thereto (Sec. 12(c), Rule XXI, CS Rules).

e. A married woman who is a civil service eligible and appointed to a classified position but whose appointment has been attested as temporary pending submission of the required medical certificate and results of physical examination, is entitled to a maternity leave of 60 days at half pay under the same conditions as a temporary employee and governed by the same rule imposed under Republic Act No. 270, as amended by Republic Act No. 1564, until such time when she is able to submit the required medical certificate and result of physical examination (5th Ind. CSC, Oct. 18, 1960).

f. Any savings in the appropriation, allotment, or fund for salaries and wages, authorized for any fiscal year the department of the government concerned, or for any of its branches, subdivisions, agencies, or instrumentalities, including government-owned and/or-controlled corporations, may be used for the temporary employment of substitute officers or employees to take place of those who are granted maternity leave, if the of the duties of the latter cannot be dispensed without detriment to the service and the same cannot be or distributed among, the other employees already in the service.

SECTION 238. Commuted money value of the unexpired portion of maternity leave. — When an employee wants to report back for duty before the expiration of her maternity leave, she may be allowed to do so provided she present medical certificate that she is physically fit to assume the duties of her position.

However, she need not refund the commuted money value of the unexpired portion of her maternity leave. She may receive the benefits granted under the maternity leave law and the salary for actual services rendered effective the day she reports for work prior of the expiration of the sixty (60) day period (CSC MC No. 17, s. 1991)

SECTION 239. Terminal leave. — It refers to leave of absence granted to an employee desiring to terminate his services with the agency which is equivalent to all his accumulated sick and vacation leave credits.

In the computation of leave, whether ordinary or terminal the Saturdays, Sundays and holidays embraced within the terminal leave earned by an employee for his services after the approval of Republic Act No, 2625 on June 17, 1960, may be excluded from the computation thereof and his salary corresponding to said days paid to him in addition to the money value of such terminal leave However, the Saturdays, Sundays and holidays falling within the leave earned by him for services before said date shall be included in the computation for the reason that the act has no retroactive operation.

Leave of absence with pay may be counted as part of the actual service rendered by an employee for purposes of his retirement under Section 12(c) of Commonwealth Act No. 186, as amended by Republic Act No. 1616.
An official/employee whose position was abolished and who is reappointed or reemployed as contractual/consultant in the government after his retirement need not refund the money value of the unexpired portion of his terminal leave (PD 366).

SECTION 240. Leave of Justices of the Supreme Court and Court of Appeals. — During vacation of the Supreme Court and Court of Appeals, the justice not assigned to vacation duty shall be on vacation leave, and if no court vacation is declared for any year, each of the justices shall be entitled to two months' leave in lieu of court vacation. Those who are assigned to vacation duty shall be entitled to vacation leave at any subsequent time for the same number of days that they spent on vacation duty but not exceeding two months per year (Sec. 5 (a), Rule XVI. CSC Rules and Regulations).

The right of the Justices of the Supreme Court to leave of absence may be exercised by them subject only to approval in such manner as the court by resolution may direct, provided all such leaves of absence shall be so arranged never to deprive the court of quorum during its regular sessions. The accumulation of their leave is unlimited. (Sec. 5 (b), Rule XVI, CSC Rules and Regulations)

SECTION 241. Leave of heads and members of Constitutional Commissions. — The accumulated leave credits of Chairmen/Commissioners of the constitutional commissions shall be computed under the same rules as those applicable to members of the Judiciary (AO 444, Dec. 13, 1979; Sec. 5(a) and (b), Rule XVI, CSC Rules).

Leave credits of Justices of the Judiciary and/or Constitutional Chairmen/Commissioners regardless of whether it was earned prior or subsequent to their appointments are spread on a "straight-line" basis which means inclusive of Saturdays, Sundays and holidays (En Banc Resolution of the Supreme Court, Sept. 25, 1980).

SECTION 242. Leave of Judges of Regional Trial Courts, Municipal Trial Courts, Metropolitan Trial Courts, Municipal Circuit Trial Courts and Municipal Trial Courts in cities. — During the yearly court vacation, the Judges of the First Instance (now Regional Trial Courts) not specifically assigned to vacation duty shall be on vacation leave. Those who are assigned to vacation duty shall be entitled to vacation leave at any subsequent time for the same number of days that they spend on vacation duty but not exceeding 2 months per year, one month of said leave being cumulative. The total amount of leave that a judge can accumulate to his credit at any one time shall not exceed ten months, including the two months of court vacation (Sec. 6, Rule XVI, CSC Rules and Regulations).

Judges of the Municipal Trial Courts, Metropolitan Courts, Municipal Circuit Trial Courts and Municipal Trial Courts in Cities are entitled to 15 days vacation leave and 15 days sick leave exclusive of Saturdays and Sundays and (Sec. 5.10, Handbook of Information of the Phil. Civil Service).

SECTION 243. Leave of officials and employees in the foreign service. — Said leaves are subject to the following rules:

a. Officers and employees under the Department of Foreign Affairs assigned abroad shall be entitled to 30 days' vacation and 30 days' sick leave with full pay for each year of service.
b. Subject to regulations prescribed by the Secretary of Foreign Affairs and approved by the President, all officers and employees assigned abroad are entitled to accumulate leave up to a maximum of 120 days' vacation leave and 240 days' sick leave. Such accumulated leave may be granted in whole or in part by the Secretary, subject to the exigencies of the service and upon proper request by the employee concerned.

c. After three years of continuous, faithful and satisfactory service abroad, the Secretary of Foreign Affairs may allow any officer or employee, together with his or her family, to go home on leave. Time actually and necessarily spent to and from the Philippines is not counted as leave. While on leave in the Philippines, such officer or employee may be required to serve in a position of comparable importance in the department, but the period of such assignment is not counted as leave (Sec. 10, Rule XVI, CSC Rules).

SECTION 244. Vacation and sick leave of teachers. — The teacher leaves are subject to the following rules:

a. During the yearly school vacations, persons in the teaching service other than those who may be designated for continuous duty shall be entitled to vacation leave.

b. The vacation service credit of a teacher may be converted to vacation and sick leave in case of transfer from the teaching to the nonteaching service. Likewise, the vacation and sick leave earned under the non-teaching service may be converted to vacation service credit in case of transfer to a teaching position. Proportional vacation credit of a teacher cannot be converted to vacation and sick leave in case of transfer to a non-teaching position.

c. Teachers shall apply for leave on the prescribed form for all absences during school terms on account of illness or for any other cause. Salary for the period of the leave shall be withheld until the teachers concerned have performed vacation duty for a corresponding period.

d. When a teacher resigns at the end of a school year, he may be allowed the current vacation pay: Provided, That the total vacation pay shall not exceed the amount allowable in exact proportion to the service actually rendered during the prescribed school year: Provided further, That in no case shall proportional vacation pay be granted to the teacher concerned, except after he has rendered actual service until the closing of school in immediately preceding the long vacation.

e. As a rule, the resignation of a teacher should not be accepted prior to the termination of the school year: Provided, that if for illness or urgent necessity, the resignation of a teacher who has served more than one year is accepted without prejudice, or when permission is granted him by the Secretary of Education to visit foreign country prior to the termination of a school year, he may be allowed one week's vacation pay for every month he has actually taught since the proceeding summer vacation.

f. Vacation pay due, at the same rate as that allowed teacher whose resignation is accepted on account of illness, may be allowed to the estate of a teacher who dies before the completion of one year's service, or to the teacher who resigns because of completion of contract.
SECTION 245. Proportional vacation pay. — Teachers are entitled to proportional vacation pay during the summer and Christmas vacations, computed in proportion to the number of days they have served during the school years.

A teacher who has rendered continuous service in a year without incurring absences without pay of more than 11/2 days is entitled to 84 days of proportional vacation pay (14 days Christmas and 70 days summer salaries).

SECTION 246. Study leave for teachers. — In addition to the leave privileges enjoyed by teachers in public schools, they shall be entitled to a study leave not exceeding one school year after seven (7) years of service. Such leave shall be granted in accordance with a schedule set by the Department of Education and Culture and Sports. During the period of such leave, the teachers shall be entitled to at least sixty per cent of monthly salary. Provided, however, that no teacher shall be allowed to accumulate more than one year study leave, he needs an additional semester to finish his thesis for a graduate study in education or allied courses. Provided, further, that no compensation shall be due the teacher after the first year of such leave. In all cases, the study leave period shall be counted for seniority and pension purposes.

The compensation allowed for one year study leave as herein provided shall be subject to the condition that the teacher takes the regular study load and passes at least seventy-five percent of his courses. Study leave of more than one year may be permitted by the Secretary of Education but without compensation (Sec. 24, RA 4670).

SECTION 247. Indefinite of leave of absence of teacher — An indefinite sick leave of absence shall be granted to teachers when the nature of the illness demands a long treatment that will exceed one year at the least (Sec. 25, RA 4670).

SECTION 248. Leave of employees or laborers on rotation basis. — Employees or laborers on rotation basis shall be entitled to vacation and sick leave corresponding to the periods of service rendered by them, the total of which would not be less than six months. If an employee or laborer has been allowed to work in two or more shifts or rotations, the period of actual service covered by each shift or rotation should be added together to determine the number of years, months and days during which leave is earned (Sec. 13, Rule XVI, CSC Rules).

SECTION 249. Leave of part time employees. — Part-time employees are not entitled to vacation and sick leave. However, if a part-time employee works in two different offices and renders the required office hours, he may be entitled to leave benefits (Sec. 15, Rule XVI, CSC Rules).

Officials/employees rendering full-time service but also rendering part-time service in another agency are not entitled to leave benefits in the latter agency as the same would be tantamount to double compensation, the receipt of which is prescribed by the constitution except upon specific authority of law (Valdez et al vs. COA, GR No. 87277, May 25, 1989).
SECTION 250. Leave of employees on per diem or per hour rate basis. — Employees or laborers paid on per diem or per hour rate basis and whose services are not ordinarily required on non-working days should be granted workday's leave of absence only (not by the calendar days) while still in the service. In case of terminal leave of such class of employees, they may be granted leave of absence inclusive of Saturdays, Sundays and holidays. If the office chooses to grant the terminal leave of such employees or laborers exclusive of non-working days, such non-working days which occur within the period of terminal leave, should be without pay (AG MC NO. 450).

SECTION 251. Leave of absence without pay on a day immediately preceding or succeeding Saturday, Sunday or holiday. — When an employee, who is paid on-a monthly basis, regardless of whether he has leave credits or not, is absent on a day immediately preceding or succeeding Saturday, Sunday or holiday, he shall not be considered absent on the said days. The corresponding salary on Saturday, Sunday or holiday shall likewise be not deducted from his monthly salary except when the official/employee is absent without pay continuously for a longer period of time (CSC MC No. 16, and 16A s. 1991).

SECTION 252. Sabbatical leave privilege for scientists. — Any scientist currently engaged in the actual research or research administration who, in the judgment of the Governing Board of Philippine Council for Agriculture, Forestry and Natural Resources Research and Development (PCARRD), Dept. of Science and Technology (DOST), or its agencies, has performed exceptionally, may be entitled to a sabbatical leave. Candidates should not be eligible for retirement within two years after his return to duty. Candidates must be a holder of at least a "Researcher" position or its equivalent and must have rendered, immediately prior to the time of application, a total service of at least six years to his agency, no more than four years of which has been at the rank of Research Associate or its equivalent. Years of service at ranks lower than Research Associate or its equivalent shall not be counted for credit towards the required six years (Sec. 4, PD 1502).

The awardee for a sabbatical leave may pursue activities in competent institutions locally or abroad in any one or a combination of the following:

a. research
b. bookwriting
c. teaching at the graduate level
d. study/observation tour, non-degree courses, conferences, workshops or seminars, or any other activity that would enhance his capacity to serve his agency upon his return to duty.

His sabbatical program should be approved in advance by the head of his agency. Upon return to duty, grantee will present a report orally and in writing.

Sabbatical leaves may be granted for duration of six to twelve months for every six years of exceptional service and cannot be renewed until another six years.
Awardees will receive their regular basic salary. In addition, reasonable allowance for travel, living and other expenses related to his sabbatical program will be provided, consistent with the living standards for the place where the sabbatical leave will be spent.

The funding for the sabbatical leave will be charged against the scientist's agency.

Applications for sabbatical leave will be screened by an Advisory Committee created for such purpose which will recommend to the head of agency who, in turn, will get the approval of the governing board of PCARRD, DOST or its agencies.

SECTION 253. Leave credit during suspension. — An employee who was acquitted in a case for which he was suspended and paid his entire salary from the date of his suspension up to the date of his retirement is entitled to leave credits which he might have earned during said period (5th Ind. AG, Aug. 5, 1960).

SECTION 254. Leave without pay. — Leave without pay may be granted subject to the following rules:

a. Leave without pay not exceeding one year may be granted in addition to the vacation and/or sick leave allowable. Leave without pay in excess of sixty days shall require the approval of the proper head of department (Sec. 30(F) Rule XVI, CSC Rules).

b. Leave without pay shall not be granted whenever an employee has leave with pay to his credit. Temporary employees may be granted such leave without pay if not incompatible with the needs of the service (Sec. 31(F), Rule XVI; CSC Rules).

c. No absence without pay, whether due to personal reasons or on account of, illness shall be allowed to be charged to the vacation or sick leave subsequently earned except only that allowable during the first six months' service of the officer or employee (Sec. 29(E), Rule XVI, CSC Rules).

d. Where officers and employees have pending formal administrative charges against them, no vacation leave with pay shall be granted the respondent during the pendency of the case (Sec. 32(F), Rule XVI, CSC Rules).

e. Under no circumstances shall leave without pay be granted for more than one year. If an employee who is on leave without pay for any reason fails to return to duty at the expiration of one year from the effective date of such leave, he shall be considered automatically separated from the service. Provided, that he shall within a reasonable time before the expiration of his one year leave of absence without pay, be notified in writing of the expiration thereof with the warning that if he fails to report for duty on said date he will be dropped from the service (Sec. 33, Rule XVI, CSC Rules).

Said notice to the employee is, however, not necessary when he is absent without leave because staying from one's employment in the government or remaining on leave without pay is something any employee can scarcely be aware of (Quezon vs. Borromeo, GR No. 70953, April 9, 1987).
SECTION 255. Commutation of leave of officials and employees who retired under CA 186. — Officials and employees retired under CA 186, as amended, shall be entitled to the commutation of the unused vacation and sick leave based on the highest rate received, which they may have to their credit at the time of retirement (Sec. 12(c), CA 186, as amended by Sec. 1, RA 3096, June 17, 1961).

Article 7. Salary upon Termination of Service

SECTION 256. Resignation. — Any officer or employee in the government may resign from his position. The resignation must be in writing and approved by the officer authorized to act thereon. Action thereon, however, should be deferred if an administrative charge is pending against the officer or employee and the charges are grave and proof of evidence of guilt is strong (Sec. 17, Rule XVIII, CSC Rules). If after investigation the officer or employee is exonerated, his rights and privileges to payment of accumulated leaves, retirement, eligibility for reinstatement in the service, and payment of insurance benefits should not be impaired (LOI 11, Sept. 29, 1972).

The following documents should support the voucher covering salary upon termination of service:

a. Employee's letter of resignation and acceptance of such resignation
b. Clearance from money and property accountabilities
c. Statement of Assets and Liabilities
d. Approval of transfer, in case of transfer to another branch of government service including a certificate showing last salary payment made and unused vacation and sick leave

SECTION 257. Resignation of elective local officials. — Resignation by elective local officials shall be deemed effective only upon acceptance by the following authorities:

a. The President, in the case of governors, vice-governors, and mayors and vice-mayors of highly urbanized cities and independent component cities;
b. The governor, in the case of municipal mayors, municipal vice-mayors, city mayors and city vice-mayors of component cities;
c. The sanggunian concerned, in the case of sanggunian members; and
d. The city or municipal mayor, in the case of barangay officials

Copies of the resignation letters of elective local officials, together with the action taken by the aforesaid authorities, shall be furnished the Department of the Interior and Local Government.

The resignation shall be deemed accepted if not acted upon by the authority concerned within fifteen (15) working days from receipt thereof.

Irrevocable resignation by sanggunian members shall be deemed accepted upon presentation before an open session of the sanggunian concerned and duly entered in its records, provided however that this
subsection does not apply to sanggunian members who are subject to recall elections or to cases where existing laws prescribe the manner of acting upon such resignations. (Sec. 82, RA 7160)

SECTION 258. Termination of service upon filing of candidacy. — Any person holding a public appointive office or position including active members of the Armed Forces of the Philippines and officers and employees in the government-owned or-controlled corporations shall be considered ipso facto resigned from his office upon the filing of his certificate of candidacy (Sec. 66, BP 881).

Any elective official, whether national or local, running for an office other than which he is holding in a permanent capacity, except for President and Vice-President, shall be considered ipso facto resigned from his office upon the filing of the certificate of candidacy (Sec. 67, BP 881).

An official who is considered resigned upon the filing of his certificate of candidacy cannot return to his former position with the withdrawal of the same.

SECTION 259. Retirement. — Government employees holding two or more positions can retire only from his regular or main position and not from his additional position or positions and consequently, the salaries attached to the additional positions will not be counted in determining the highest salary received nor be included in the computation of the gratuity or annuity of the employee (CSC MC 40, s. 1989).

SECTION 260. Separation from the service without cause. — The following are the general guidelines for the separation from the service without cause:

a. Reduction in force may be effected by an office or agency whenever it becomes necessary because of lack of work or funds, or due to a necessary change in the scope or nature of an agency's program, or wherever it is advisable in the interest of economy, in accordance with Section 1, Rule VIII, of the Revised Civil Service Rules.

b. Any office or agency may also be abolished or its functions and activities integrated with those of another agency.

When the position of an official/employee under Civil Service is abolished by law or ordinance, the official/employee so affected shall be reinstated in another vacant position without diminution of salary. Should such position not be available, he shall be granted separation pay equivalent to one month salary for every year of service over and above the monetary privileges granted to officials/employees under existing laws (Nunal vs. COA GR No. 78648, Jan. 24, 1989, citing BP 337).

c. Employees laid off as a result of the foregoing may be paid separation pay in accordance with such policy as the agency may formulate or the law may authorize.

d. Payment of the separation pay should, therefore, be based on the amount and the number of years of service prescribed and on the availability of funds appropriated for the purpose.
e. Any other form of retirement plan for the employees laid off may be implemented with the approval of the Government Service Insurance System (Rule VII, (3), GSIS Manual).

f. Payments of separation pay should in addition to the foregoing statutory provisions be supported by:

1. A copy of the pertinent law or authority;
2. A list of employees laid off showing their names, designations, and last salary received;
3. Service record of each employee duly certified by the head of agency or his authorized representative;
4. Certificate of clearance from the agency concerned and the GSIS;
5. Statement of assets and liabilities.

Article 8. Preparation of Payroll

SECTION 261. Guidelines in the preparation of payroll. — Payment of salaries of government officials and employees for services rendered should be made not oftener than once a week (EO 312, Aug. 6, 1958).

Other government offices may make Payment of salaries and allowances to government officials and employees twice a month, first on the 15th and the second on the last day of the month. The following guidelines shall be observed in the preparation of General Payroll:

a. For each month, the payroll shall be prepared in two (2) sets — one (1) for the first half and one (1) for the second half.

b. The payroll for the first half of the month shall reflect the basic monthly salary, all allowances and itemized monthly deductions.

c. Net pay for the first half and second half shall be computed as follows: Basic salary plus all allowances less total deductions divided by two (2).

SECTION 262. Salary retention or deductions. — It shall be unlawful for a treasurer or other fiscal officer to draw or to retain from the salary any amount or contribution or payment of obligation other than those due the government or its instrumentalities, except as may otherwise be provided (Sec. 54, PD 807).

The following forms of deduction are allowable:

a. Withholding tax

b. Premiums for GSIS and retirement insurance, Medicare and PAG-IBIG contributions

c. Settlement of government claims against the employee
d. disallowances from accounts

e. allotment of a fixed monthly amount to members of the family or a dependent relation of an officer or employee upon written authorization for the same to the disbursing officer

f. deposits and repayment of loans owing to government lending institutions or associations organized and managed by government employees upon written authorization for the same to the disbursing officer

Withholding of income tax on salaries or wages — Section 12 of Republic Act No. 590 provides that every employer making payments of salaries or wages shall deduct and withhold, upon such payments, a tax determined in accordance with the withholding table provided for in the Bureau of Internal Revenue Regulations No. 1-92, dated December 26, 1991. If the employer is the Government of the Republic of the Philippines or any of its political subdivisions, agencies and instrumentalities, the return or report of the amount deducted and withheld from such payments shall be made by the officer having administrative control of the office, or by any officer or employee duly designated for that purpose.

Treasurers in the provinces, cities and municipalities and the Chief Accountants in departments, bureaus, agencies, including government-owned or controlled corporations are the officers responsible for implementing withholding tax requirements in their respective offices and shall be personally liable for surcharges, interest and specific penalties arising from violations (EO 651 as implemented by R.R. 1-87).

SECTION 263. Payment by check and bank transfer. — Salaries and allowances of government officers and employees shall be paid in legal tender of the Philippines or its equivalent in checks.

Payment of salaries can also be made through government depository bank.

For agencies with computerized payroll system, the following are the mechanics for implementation of payment of salaries through banks:

a. Opening of bank account

1. A bank account shall be opened personally by each government official/employee through which his regular quincena pay shall be deposited and withdrawn. The account opened becomes a personal account of the employee who shall then abide by the rules of the bank.

2. All regular personnel shall submit their account number to the administrative officer concerned.

3. The administrative officer shall then submit to the Electronic Data Processing (EDP) center or unit the list of employees with corresponding bank account numbers.

b. Payroll preparation

The payroll preparation mentioned above shall be followed and the following shall be prepared by the EDP unit:
1. Monthly Payslip of Individual Employee — This is a summary of the gross earnings, deductions and net pay of each employee. It shall be distributed to every employee at least one day before the 15th. It shall signify that his net pay has been credited to his bank account thus, he keeps track of his monthly earnings.

2. List of Employees' Net Earnings — Basically for the use of the bank, this form summarizes the net earnings due each employee for credit to his account in the said bank. Accounting Division shall furnish the bank the said list five (5) days before the scheduled payday.

c. Fund transfer

1. If government agencies maintain funds, in the accredited bank, a mere letter request is necessary to effect transfer of funds from their respective account to the individual employee's account. The list of employees' net earnings shall accompany each letter request to show the corresponding amount to be credited to the employees' accounts.

2. Transmittal letter shall be made at least five (5) days before the scheduled payday. Should the 15th or end of the month fall on a non-banking day, submission of the said list of employees net earnings shall be correspondingly advanced to allow credit to employees' accounts on the nearest preceding banking day.

d. Withdrawal of salaries and allowances from the bank

The salaries and allowances of government officers and employees shall be payable every 15th and 30th day of the month or earlier if the 15th or end of the month falls on a non-banking day. Withdrawal shall be made in accordance with the usual banking rules and procedures.

SECTION 264. Payment of salaries by cash. — Disbursing officers shall be given separate cash advances for payment of salaries and allowances of government officials and employees The disbursing officer requests a weekly cash advance equal to the weekly net payroll or a semi-monthly cash advance equal to the half month net payroll of the agency officials and employees. Within five (5) days after the 15th and end of the month, the disbursing officer shall submit the Report of Disbursement together with the payroll to the Accounting Division and deposit to the collecting officer any remaining cash in his possession for credit to his cash advance.

SECTION 265. Retention of salary for the satisfaction of indebtedness to the government. — When any person is indebted to the Government of the Philippines or to any government-owned or-controlled corporation or to any other self-governing board, commission or agency of the government, the COA may direct the proper officer to withhold the payment of any money due him or his estate, the same to be applied in satisfaction of such indebtedness (Sec. 3, PD 1145). However, the retention of the retirement gratuity of a person to satisfy his indebtedness to the government may be resorted to only if the person admits his indebtedness and consents to the retention or when a competent court so directs.

Chapter 2. Per Diem Compensation
SECTION 266. Per diem compensation defined. — Per diem is generally held to be synonymous with or equivalent to "salary" and had been compared with a "fee" As used in connection with compensation, wages, or salary, the term means pay for a day's service (36 C.J.S. 629).

Per diem usually signifies reimbursement of expenses incurred on the performance of one's duties. If employed on a statute on the concept of remuneration, however, there must be to justify on additional compensation, a specific law that so provides. Otherwise, fidelity to the constitutional demand against double compensation is lacking (Peralta vs. Mathay L-26608 March 31, 1971; 38 SCRA, 260).

SECTION 267. Payment of per diem compensation. — Payment of per diem compensation is allowed under the following rules:

a. Per diem compensation is generally allowed to members and secretaries of government boards pursuant to statutory authority for every attendance in a board meeting where there is a quorum present.

b. Payment of an additional per diem for any subsequent meeting during the day cannot be allowed as the subsequent meeting would only be a continuance of the previous one held on the same day (1st Ind. AG June 12, 1957).

c. A special meeting or session of a government board to be valid must be called by the Chairman or any member duly authorized to call said special meeting or session, otherwise no per diems should be allowed.

Chapter 3. Social Security Insurance Premiums

Article 1. Life and Retirement

SECTION 268. Compulsory membership insurance. — Membership in the Government Service Insurance System shall be compulsory for all permanent employees below 60 years of age upon appointment to permanent status: Provided, That, upon approval by the President of the Philippines and subject to the availability of funds, compulsory coverage may be extended to non-permanent employees of national government agencies and local governments, either simultaneously, in phases or by groups: Provided further, that non-permanent employees of government-owned or controlled corporations may be covered upon approval by the System upon request of their respective Governing Boards. Provided, Finally, that the coverage of temporary employees under R.A. No. 4968 shall remain in force (Sec. 3, PD 1146).

Subject to the rules and regulations prescribed by the System, all employees shall be compulsorily covered with life insurance which shall automatically take effect as follows:

a. For those employed after the promulgation of PD 1146, their insurance shall take effect on the date of their employment;
b. For those whose insurance matured and not renewed prior to said Act, their insurance shall be deemed renewed on the day following the effectivity of this Act;

c. For those whose insurance will mature or will expire after said Act, their insurance shall be deemed renewed on the day following the maturity or expiry date of their previous insurance; and

d. For those without any life insurance as of the effectivity of said Act, their insurance shall take effect on the day following said effectivity.

A member shall continue to be a member, notwithstanding his separation from the service and, unless the terms of his separation provide otherwise, he shall be entitled to whatever benefits which shall have accrued or been carried at the time of his separation in the event of any contingency compensable under said Act.

Monthly contribution of/for the insured shall have following schedule:

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<th>Percentage on Monthly Compensation Payable</th>
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The rates of premium as prescribed in Section 5 of PD, 1146 shall be payable retroactively by the employee and his employer on the first day of the month he was appointed.

SECTION 269. Optional insurance. — Subject to the rules and regulations prescribed by the System, a member may at any time apply for optional life insurance for himself and/or his dependent and the payment of the premium therefor may be made by the insured or his employer and/or any person
acceptable to the System, provided that the amount of said additional life insurance shall not exceed an amount, to the nearest hundred pesos, twice his current annual salary and provided that the full amount of the premiums of such additional insurance shall be paid by said member and the amount thereof may be deducted from his pay or compensation, expressly authorized by him.

SECTION 270. Retirement insurance. — Payment of premiums for retirement insurance should begin on June 30, 1951. However, if the employee entered the service after that date, payment of his premiums shall begin on the last day of the calendar month he entered the service.

Article 2. PAG-IBIG Contributions

SECTION 271. Membership in the PAG-IBIG fund. — Membership in the PAG-IBIG Fund shall be voluntary upon all employees whether employed in the private or public sector as well as those self-employed and other working groups, effective January 1, 1987.

Employees covered under the mandatory provisions of PD 1752 as amended by EO 35 shall have the option to continue or discontinue new fund contributions effective January 1, 1987.

A member who transfers to another employment or who becomes self-employed carries with him his total accumulated value.

SECTION 272. Termination of membership in the PAG-IBIG fund. — Membership shall be terminated anytime upon the occurrence of any of the following:

a. Membership maturity at 20 years
b. Death
c. Retirement
d. Total disability or insanity
e. Departure from the country permanently
f. Separation from the service by reason of health as provided for by law.

Occurrences other than the above shall not constitute termination of membership except as may otherwise be provided by the board (Sec. 4, Rule II, PAG-IBIG Implementing Rules and Regulations).

SECTION 273. Contributions of members to PAG-IBIG fund. — The member shall contribute a percentage of his fund salary per employer for each month until his membership is terminated.

The rate of contributions of members of the Fund shall be as follows:

a. Employees earning not more than P1,500.00 per month — one percent (1%);
b. Employees earning more than P1,500.00 per month — two percent (2%);
c. Self-employed and other working groups — a minimum of one hundred pesos (P100.00) a month;

d. Employers — two percent (2%) of the fund salary of the contributing member. For purposes of computing contributions of (a) and (b), "monthly fund salary" shall mean basic monthly pay plus cost of living allowance (COLA): Provided however, that the maximum monthly fund salary to be used in computing employee and employees contributions shall not be more than P5,000.00.

A member shall, however, be allowed to contribute more than what is required herein should he so desire.

SECTION 274. Return of contributions. — A member, active or inactive, or his heirs/beneficiaries in the event of his death, shall be entitled to receive his total accumulated value upon termination of his membership, subject however, to the provisions of the HDMF loan guidelines.

SECTION 275. Other benefits derived. — The members of the Fund are entitled also to these benefits:

a. Dividend benefit — Fixed dividend of 7.5% per annum shall be distributed to all members with no outstanding housing loan, as credits to their total accumulated values or in cash. Variable dividends from surplus earnings of the fund may be distributed to members from time to time upon approval of the board.

b. Death benefit — Upon the death of a member, his heirs/beneficiaries shall be entitled to death benefit in an amount to be determined by the Board in addition to the total accumulated savings plus earned dividends due to the deceased member by reason of his membership in the fund.

c. Housing benefit — As a housing program, PAG-IBIG offers housing loans to its members at affordable terms under the Unified Home Lending Program participated in by PAG-IBIG with SSS and GSIS.

d. Multi-Purpose Loan Program

Article 3. Medicare Premiums

SECTION 276. Coverage — Government Service Insurance System (GSIS) Medicare. — All Government employees irrespective of the status of appointment including temporary, emergency, casual, substitute or contractual employees, even if they are not yet policy holders are compulsorily covered by the GSIS Medicare.

SECTION 277. Contribution of members. — The contribution shall be computed at 2.5% to be shared equally by employers and employees of the basic monthly salary subject to the following conditions:

a. The maximum contribution base for all members shall be limited to P1,000 per month until December 31, 1990.
b. The maximum contribution base shall be increased to P2,000 starting January 1, 1991; to P2,500 starting January 1, 1992; and to P3,000 starting January 1, 1993.

Chapter 4. Overtime Pay

SECTION 278. Authority to render overtime service. — In general, rendition of overtime services may be authorized where the work or activity has to be completed on a fixed date and the scheduled date of completion cannot be met within regular work days and hours; or where, although there is no fixed date of completion, the prolonged delay in, or non-completion of the work or activity, shall:

a. Cause financial loss to the government or its instrumentalities;

b. Embarrass the government due to its inability to meet its commitments; or

c. Negate the purposes for which the work or activity conceived.

(NBC 410, Apr. 28, 1989)

SECTION 279. Expenditures for overtime payment. — Payments of overtime work are subject to these rules:

a. Expenditure requirements for overtime payment must be within the approved expenditure program of the organization, net of reserves and shall be subject to the usual accounting and auditing rules and regulations.

b. Expenditures for overtime payment may be suspended by the President whenever the exigency of the situation so requires.

c. The governing boards of profit-making government owned or-controlled corporations may adopt their own policies and approval mechanism relative to overtime pay provided that the cost of implementing such policies will not call for government equity inputs or borrowings guaranteed by the government. The phrase "profit-making government-owned or-controlled corporation" shall be understood to mean a corporation that realized a net profit from its operation in the last calendar year of not less than seven per cent (7%) of its operating capital (LOI 565).

SECTION 280. Activities for which overtime with compensation may be allowed. — Specific activities for which necessary overtime with compensation may be authorized include the following:

a. Completion of infrastructure and other projects with set deadlines when due to unforeseen events the deadline cannot be met without resorting to overtime work;

b. Relief, rehabilitation, reconstruction and other related work or services during calamities and disasters;

c. Work related to school graduation/registration where the additional work cannot be handled by existing personnel during regular working hours;
d. Work involving the preparation for and administration of government examination, including the prompt correction and release of results thereof where existing personnel are not adequate to handle such work during regular working hours;

e. Seasonal work such as budget preparation and rendition, of annual reports to meet scheduled deadlines;

f. Preparation of special financial/accountability reports required occasionally by central monitoring agencies like the Congress of the Philippines, Office of the President, Commission on Audit; Department of Budget and Management, National Economic Development Authority;

g. The provision of essential public service during emergency situations, such as power and energy, water, distribution and control of basic staples, communication and transportation, medical and health services, peace and order and security;

h. Implementation of special program/projects embodied in presidential directives and authorizations, and with specific dates to complete which are in the nature of additional work of personnel with other regular duties; and

i. Services rendered by drivers and other immediate staff of officials authorized to have such staff support when they are required to keep the same working hours as their superiors (NBC 410, supra).

In no instance, however, may an officer or employee who is on travel status be allowed to render overtime services.

SECTION 281. Persons authorized to approve rendition of overtime service. — These rules apply to the following:

a. Division chiefs or equivalent, duly designated by the Bureau/Office/Agency Heads or Regional Directors concerned may authorize their respective subordinates to render overtime service compensable on meal allowance basis.

b. Department heads for agencies within their area of responsibility may authorize overtime compensation computed on an hourly basis (NBC 410, supra).

c. The governing body of a special project, upon the recommendation of its project manager, may approve the payment of honoraria, commutable allowances and other compensation, provided that no project compensation may be paid without the prior approval of the agency to which the recipient official/employee belongs.

d. Governing boards of state colleges and universities or heads of vocational and other national schools, as the case may be, may authorize compensation for teachers' overteaching or summer load.

e. Approval of overtime services, whether on an hourly or meal allowance basis shall in all cases be subject to applicable laws, rules and regulations on the matter and to pertinent auditing and accounting requirements.
SECTION 282. Payment of overtime service. — The authority to render overtime shall state the period within which such service is to be performed. The duration shall be definite and directly, and reasonably proportional to the scope, magnitude, importance, and complexity of the work to be accomplished. The authority shall not extend beyond the scheduled date of completion.

Overtime services rendered in all departments, bureaus offices and agencies of the national government, including state universities and colleges, government-owned and/or-controlled corporations and local government units shall be compensated as follows:

a. As a general rule, the total amount of overtime compensation which may be allowed an employee for a given calendar year shall not exceed fifty percent (50%) of his basic salary;

b. Overtime compensation by the hour shall be computed on the basis of the authorized monthly basic salary of the officer or employee authorized to render overtime services;

c. Meal allowance in kind at P20.00 per meal may be granted to officials and employees who have rendered at least three (3) hours of overtime services before meal time;

d. Availment of the meal allowance in kind herein authorized shall constitute a bar from collecting the overtime compensation authorized under paragraph (b) above;

e. The funding source for overtime pay shall be out of savings from personal services appropriation of the agencies concerned. Total overtime payments made in a given calendar year shall not exceed five percent (5%) of the agency/office actual payroll for personal services.

f. Professors, instructors, teachers, or members of the faculty of government schools, colleges and universities, when required to teach more than their regular teaching loads, may be paid additional compensation not exceeding seventy-five percentum of their basic salary.

(Sec. 73, PD 1177; NBC 410, supra)

SECTION 283. Compensation in lieu of overtime pay. — "Compensation in lieu of overtime pay" refers to honoraria, allowances and similar payments usually applicable to special projects, teachers' overteaching or summer load, etc.

Officials and employees on assignment with special projects and are paid honoraria, allowances and other forms of compensation are barred from receiving overtime compensation. All such honoraria, allowances and other forms of compensation shall be considered as their full compensation in lieu of overtime pay; provided, that the total amount received by an individual in a given calendar year as additional compensation from special projects shall not exceed 50% of his annual salary (NBC 410, supra).
SECTION 284. Officials and employees not entitled to overtime pay. — The payment of overtime service contemplated herein shall not apply to officials occupying positions enumerated hereunder (NBC 410, supra):

a. Department Secretaries
b. Department Undersecretaries
c. Department Assistant Secretaries
d. Bureau Directors and Regional Directors
e. Assistant Bureau Directors and Assistant Regional Directors
f. Department Service Chiefs and Assistant Department Service Chiefs
g. Positions of equivalent category as those abovementioned in state universities and colleges, local government units and in government owned and/or-controlled corporations.

Additionally, since intermediate positions have been allowed and created in between the above enumerated positions in the existing organizational structure/staffing pattern of government agencies, government-owned and/or-controlled corporations, state universities and colleges and local government units, and inasmuch as these positions involve coordinative and integrative functions and in some cases incumbents of these positions exercise general supervision over line division and units, incumbent of said positions are likewise excluded from receiving overtime compensation (NBC 410, supra).

Elective officials are also excluded from receiving meal allowance or other forms of compensation since they do not have fixed hours of service (COA Dec. 77-95).

SECTION 285. Miscellaneous provisions on overtime service. — The following rules must be observed:

a. Overtime cannot be used to offset undertime.


c. An employee who has not rendered the minimum working hours for the week may be allowed to claim overtime pay provided he has sufficient leave credits. Breaktime is not required when overtime does not exceed three (3) hours (COA Cir. 85-55A, Sept. 8, 1985)

Chapter 5. Commutable Allowances

Article 1. Allowances
SECTION 286. Allowances defined. — Allowances are emoluments granted in addition to fixed compensation or in exchange for services rendered and paid or given in cash or in kind to officers and employees entitled thereto under a specific authority of law. Allowances may either be commutable or reimbursable, duly supported by receipts or by a certificate to the effect that the expenses had been duly incurred in accordance with the purpose for which the allowance is granted.

SECTION 287. Provisions in the granting of allowances. — The following rules govern the grant of allowances:

a. Government officers and employees are granted allowances only by specific provisions of law.

b. All allowances, except for representation and transportation allowances, clothing and laundry allowances, subsistence allowance of marine officers and crew on board government vessels and hospital personnel, hazard pay allowances of foreign service personnel stationed abroad, and such other additional compensation not otherwise specified herein as may be determined by the Department of Budget and Management (DBM), shall be deemed included in the standardized salary rates prescribed under RA No. 6758. Such other additional compensation, whether in cash or in kind, being received by incumbents only as of July 1, 1989 not integrated into the standardized salary rates shall continue to be authorized (Sec. 12, RA 6758).

However, receipt by the incumbents of such additional compensation ceases once they vacate their present positions for which they have been authorized to receive such allowance/fringe benefits. Neither may the same be increased since continuance thereof is merely being tolerated until said incumbents vacate their positions (COA Memo 90-653, June 4, 1990).

c. The sanggunian of provinces, cities and municipalities when the finances of the respective governments allow, shall provide for additional allowances and other benefits to national officials stationed in or assigned to the province, city or municipality (Sec. 447, 458 and 468, RA 7160).

Article 2. Honoraria

SECTION 288. Entitlement to honoraria. — Honorarium is a gesture of appreciation for the service of one with expertise of professional standing in recognition of his broad and superior knowledge in specific fields. It is given to officials/employees not as a matter of obligation but in appreciation for services rendered, a voluntary donation in consideration of services which admit of no compensation in money (Teodoro Santiago vs. COA GR No. 92284, July 12, 1991). This also comes in the form of extra monetary remunerations paid to a government official and/or employee by virtue of his office, position or in connection with the function of his office or in the discharge of his duties, under the following circumstances:

a. Resource persons by virtue of their expertise in a specific subject area or those who are experts in handling sessions which involve group processes, act as lecturers, discussants, paper presentors, panelists, or facilitators in group dynamics sessions.

b. Researchers, technical and support personnel —
Honoraria of researchers, technical and support personnel whose assistance may be sought by the agency Philippine Council for Agriculture and Forestry, and Natural Resources Research and Development (PCARRD) or whose services are engaged in research project monitored and/or supervised by the PCARRD or the Department of Science and Technology, shall not be pegged to the basic salary that they receive from their respective agencies. The amount of honoraria that may be paid to them directly shall conform with a schedule formulated by the PCARRD on the basis of research output and in consultation with the Department of Science and Technology and related research and educational institutions and approved by the governing council.

c. Government officials and /or employees who are "on detail" or "on special assignment" in another office.

d. Government officials and/or employees by virtue of their membership in inter-agency committees and/or special projects.

e. Officials and employees detailed to foreign-assisted projects.

For the allowable rates refer to Compensation Policy Guidelines No. 80-4, Aug. 7, 1980.

SECTION 289. Payment of honoraria. — No government funds shall be utilized to pay honoraria, allowances or other forms of compensation to any government official or employee, except those specifically authorized by law. For purposes of this Circular, the phrase "those specifically authorized by law" shall be construed to mean as follows:

a. That payment of honoraria, allowances and other forms of compensation is authorized expressly by law; and

b. That payment of honoraria, allowances and other forms of compensation was authorized in accordance with law (e.g. R.A. 6758, the Salary Standardization Law) or pursuant to authority granted by law (e.g. P.D. 985 and 1597) as specified on Section 2(B) of Adm. Case No 224, dated June 13, 1991.

Article 3. Service Fees, Incentives or Commissions

SECTION 290. Granting of service fees, incentives or commissions — This kind of extra compensation is granted by the Government Service Insurance System and other government offices as authorized by the Office of the President for the remittance of premiums, amortizations, interests, etc. due these offices (Sec. 65, PD 1177; Sec. 6, CA 186, as amended).

SECTION 291. Deposit of service fees collected. — Service fees collected shall be deposited with the national or public financial institution treasury. and shall accrue in the general fund pursuant to Sec. 50 of PD 1177 (Sec. 44, Bk VI, E.O. 292). Such fees may be made available for payment of incentive or service fees to employees who are actually and directly involved in the collection: Provided however, that the share of any employee may not, in the aggregate, exceed fifty (50%) percent of his annual salary.
Any surplus of service fees deposited with the National Treasury shall form part of a provident fund to be established by the agency in favor of all its employees, which shall be available to employees for emergency needs, school and educational loans, hospitalization loans, minor but immediate need of repair of houses and other similar circumstances. This fund shall be administered pursuant to a set of uniform rules and regulations which the Office of the President shall promulgate (Sec. 41, 1991 GAA).

Article 4. Subsistence and Quarters Allowance

SECTION 292. Kinds of subsistence and quarters allowance — Allowances for subsistence and quarters are of two kinds:

a. Those allowed an employee while absent from his permanent station which shall constitute his per diem allowance. Subsistence and quarters, and per diems at the same time cannot be allowed.

b. Those allowed an employee as part of his regular compensation which must be governed by the provisions of the Act authorizing the same. As a general rule, where the Act is silent, this allowance cannot be commuted unless specifically authorized by the Department Secretary concerned.

SECTION 293. Subsistence allowance defined. — Subsistence allowance shall mean an allowance for meal or sustenance for an official or employee who, by the nature of his duties and responsibilities, has to make his services available in his place of work even during mealtime.

SECTION 294. Officials or employees entitled to subsistence allowance. — No official or employee of the National Government shall be given subsistence, the cost of which is payable from any public fund, except the following and only when an appropriation therefor is specifically provided:

a. Marine officers, engineers and crew of the government vessels, launches, and motorboats, who shall take their meals in the mess on board the vessels, launches, or motorboats.

b. Lightkeepers and other employees in light stations duly authorized by the head of department to receive subsistence allowance.

c. Officials and employees of hospitals, sanitaria, penal institutions, leper institutions, military installations, and other similar institutions who are required to render service and live within the premises of the said institutions for a continuous period that includes meal time, to make their services available at any and all times; and

d. Laborers temporarily fielded to isolated or unsettled districts (Sec. 69, Chap. 7, Bk VI, 1987 Adm. Code; Sec. 76, PD 1177).

SECTION 295. Allowable subsistence allowance. — The daily rate of subsistence allowance of officials and employees shall be P18.00 per day or P6.00 per meal (Sec. 1, EO 346, Feb. 2, 1989).

SECTION 296. Provisions in the granting of subsistence allowance. — The granting of subsistence allowance is governed by the following general provisions:
a. The subsistence allowance for marine officers and crew of marine vessels operated by the Government shall not be commutable since it is granted for conducting a mess on board said vessels.

b. The subsistence allowance for lightkeepers and other employees in light stations may be commuted or the equivalent thereof may be used to furnish them with the usual rations at their own option.

c. The subsistence allowance of officials and employees who are required to render service at any and all times and live within the premises of hospitals, sanitaria, penal institutions, leper institutions, military installations and other similar institutions may be commuted where there is no mess hall or, whenever available, the same is inadequate.

d. The subsistence allowance of laborers temporarily fielded to isolated or unsettled districts may be commuted or the equivalent may be used to furnish them with the usual rations.

e. In all cases, officials and employees who are on maternity leave, sick or vacation leave, whether with or without pay, or on full-time or part-time detail with another organizational unit of the same agency, another agency or special project, or attending training course/scholarship grant/seminar or any other similar activity or on official travel shall not be entitled to subsistence allowance for the duration of their official leave, detail, attendance in a training course/scholarship grant/seminar, or any other similar activity, or official travel.

In hospitals and leper institutions where there are no mess halls or whenever these are inadequate, personnel who are entitled to subsistence allowance in kind may commute said allowance upon request of the personnel concerned, subject to the approval by the department head, at authorized rates chargeable against the appropriation for supplies and materials authorized in the General Appropriations Act (Sec. 69 Bk VI. 1987 Adm. Code).

SECTION 297. Subsistence of crew of government vessels. — The subsistence allowance for the officers and crew of the coast guard and revenue cutters and lighthouse tenders and other large vessels operated by the Government shall be spent for conducting a mess under the charge and administration of one or more members of the complement in each vessel to be designated by the corresponding head of department, and in accordance with regulations to be issued by him. The person or persons so designated shall keep an account of the advances of funds received and expenditures made therefrom for the operations of the mess and shall render such report to the corresponding accounting office promptly at the end of each month (Sec. 70, Bk VI, 1987 Adm. Code).

Subsistence allowance may also be granted to officers and crew who remain aboard the vessel during the time that the vessel is dry-docked provided that the dry-docking is done outside the area of the official station or home/port of the vessel. If the vessel is dry-docked within the area of the official station or home port of the vessel, only one-half of the subsistence rate shall be allowed (Compensation Policy Guidelines 84-1A, June 5, 1984).
SECTION 298. Basic subsistence allowance. — The subsistence allowance of AFP personnel, reservists or trainees, and cadets are as follows:

a. The basic subsistence allowance of officers and enlisted personnel of the Armed Forces of the Philippines, including draftees, trainees and Probationary 2LT/Ensigns undergoing military training, CAT cadets on summer camp training and reserve officers and enlisted reservists undergoing training or assembly/mobilization test, shall be eighteen pesos (P18.00) per day.

b. The basic subsistence allowance of cadets of the PMA and PAFFS shall be thirty pesos (P30.00) per day.

SECTION 299. Subsistence allowance of patients in AFP hospitals and dispensaries. — Subsistence allowance of patients are covered by these rules:

a. The rate of subsistence allowance of military personnel of the AFP and other patients confined in AFP hospitals and dispensaries who are entitled to it pursuant to AFP regulations shall be thirty pesos (P30.00) per day, provided that said amount shall not be granted as cash ration to the personnel concerned.

b. Patients other than those mentioned above when treated or admitted in AFP hospitals and dispensaries shall pay for the cost of their subsistence provided by the hospitals/dispensaries in the amount not exceeding the subsistence allowance of AFP personnel confined in AFP hospitals and dispensaries.

c. Military personnel with Medicare coverage when confined in AFP hospitals/dispensaries shall not forfeit their basic P18.00 daily subsistence allowance in favor of the hospitals/dispensaries as Medicare defrays their board and lodging of P18.00 a day not exceeding 45 days per year.

SECTION 300. Subsistence allowance of AFP personnel on training. — The following provisions govern the granting of subsistence allowance of AFP personnel on training:

a. The subsistence allowance of AFP personnel while undergoing training in local training institutions shall be thirty pesos (P30.00) per day. This shall consist of the P18.00 per day basic subsistence allowance and the additional subsistence for training, On-the-Job Training (OJT), and/or schooling of P12.00 per day.

b. Additional subsistence allowance of military personnel on detail with a local military school or other local training institutions, for the purpose of training, OJT and/or schooling thereat, shall be payable only effective upon the actual date of reporting to duty up to and including the date of graduation or the date immediately before the termination of each detail, OJT or Detached Service (DS). No additional subsistence allowance for training shall be paid to an officer or enlisted person during the period he/she is on AWOL or in hospital confinement.

c. Additional subsistence allowance for training in other local training institutions such as the National Defense College of the Philippines (NDCP), OJT at Clark Air Base and Subic Naval base shall be
paid to student officers and enlisted personnel by their present unit. Similarly, subsistence allowance of
students attending organized individual training activities conducted by a unit to enhance
accomplishment of their unit’s mission, provided that those training activities are within the Annual
Training Program approved by GHQ (Attn: J8), shall likewise be paid by their present unit.

d. Funds for additional subsistence allowance for training shall be chargeable against respective
Major Services/GHQ units/offices appropriations. The DCS for Education and Training, J8 being the
program director for this activity, shall see to it that adequate funds are programmed and released for
the purpose. In this regard, the requirement for additional subsistence allowance for training shall be
determined by the Major Services/GHQ units/offices concerned and submitted to the GHQ, AFP.

e. Additional subsistence allowance for training shall be paid to student officers and enlisted
personnel through the local military schools concerned. Funds for the purpose shall be released by
GHQ/Major Services comptrollers direct to the schools/training commands as coordinated by J8 or the
cognizant training program director of the Major Services.

SECTION 301. Quarters allowance. — Quarters have been construed to include the peace of lodging
and the actual and necessary cost of illumination and water. It also includes use of electric power for the
use of radio or refrigerator or any electrical device used in the home.

SECTION 302. Provisions in the granting of quarters allowance. — The following rules govern the grant
of quarters allowance:

a. When the position of any officer or employee is provided with "furnished quarters", such officer
or employee shall be entitled to the use of such government-owned furniture and equipment as are
necessary for his board and lodging and those for his wife or her husband and children below twenty-
one years of age (Sec. 78, PD 1177).

b. Except when specifically declared by law to be payable in cash by commutation, quarters
allowances shall be in kind. In the absence of government-owned buildings or rooms, the branch of the
government furnishing the quarters shall rent the buildings or rooms appropriate for the purpose and
assign the same to the officer or officers concerned. Should such officer or officers desire a more
extensive building or more rooms than those which may be provided by the Government of its own
property or by rental in the amount appropriated for the purpose, such preferred quarters may be
secured, the Government paying the authorized allowance to the owner, and the officer the balance of
the rental of the preferred quarters. The Government assumes no responsibility whatsoever for the
payment of rentals beyond the stipulated amount chargeable against it.

c. Unless otherwise provided by law, if the officer or officers concerned owns buildings or rooms at
their official station, they shall not be entitled to quarters allowance, except light and water, at
government expense. However, when such buildings or rooms are entirely inappropriate to the official
rank of the officer or officers entitled to the allowance he shall be entitled to receive the allowance.
Allowance for quarters or official residence shall not be construed to constitute an increase in salary of
the officer or officers concerned.
d. Except as may be authorized by law, government officials and employees who, by virtue of their positions, are furnished free quarters or are charged only a nominal rate in government-owned buildings, such as dormitories or living quarters in hospitals, state colleges, universities and schools, foreign posts and elsewhere, shall forfeit entitlement to any quarters allowance. In cases where portions of rented private buildings are authorized to be utilized for an official's quarters, the excess of rental cost over the quarters allowance of the official shall be borne by the officials or employees concerned (Sec. 43, 1991 GAA).

e. Those who enjoy free quarters in government-owned or rented buildings but who are not entitled to quarters privileges, shall be charged the corresponding cost of rentals therefor. Unless fixed by law or regulations, the rate of quarters allowance or rental, as the case may be, shall be determined by the Department of Budget and Management (Sec. 43, 1991 GAA).

SECTION 303. Quarters allowance of military personnel. — Quarters allowance for members of the armed services is subject to these rules:

a. Commutation of Quarters Allowance — Military personnel are authorized to commute their allowance when not provided and/or occupying government quarters. In case of bachelor officers and enlisted men, commutation of their quarters allowance shall be allowed when the post Commander concerned certifies to the non-availability of space or quarters for them or when so authorized by the Chief of Staff to billet outside.

b. Confinement in AFP hospitals or attendance at schools shall not change the status of military personnel with regard to authorization of quarters allowance.

c. Quarters for unmarried military personnel shall include bedspace, bath and toilet facilities.

d. Quarters for married military personnel with dependents, taking into consideration his rank shall include bedroom, sala, dining room, kitchenette, bath and toilet facilities.

e. Dependents shall include his lawful wife, unmarried legitimate children, step children and adopted children who are under twenty-one years of age and those children who are incapable of self-support even above twenty years of age.

Before payment of quarters allowance is made to military personnel, the Commissioned Officer concerned shall accomplish a certificate in the form required.

SECTION 304. Quarters, subsistence, and laundry allowance during absence. — These rules govern in the following cases:

a. When an officer or employee is absent on private business or is granted leave of absence, without pay, he is not entitled to subsistence, quarters, or laundry allowance during such absence. If the same has commuted, where authority for such commutation has been granted, the proportional amount corresponding to the number of days of absence shall be deducted.
b. Where quarters allowance is furnished in kind, and the Government is paying rental charges therefor, the proportional cost of the rent corresponding to the absence shall be deducted from the officer’s or employee’s salary.

c. Hospital officers and employees who live within the hospital premises or in hospital dormitories and where the hospital does not, therefore, pay any rental to private parties for their quarters may be allowed to remain in the hospital during their authorized leave of absence, if they so prefer, and may be furnished subsistence, quarters, and laundry in kind only, provided that their services may be availed of in emergency cases. No commutation thereof will be permitted.

d. Where the officer or employee does not remain in the hospital and his services are not, therefore, available at any time, no such allowance will be given, either in cash or in kind. Temporary officers and employees are absolutely not entitled to quarters, subsistence, or laundry, whether in cash or in kind while on leave of absence.

Article 5. Clothing Allowance

SECTION 305. Provisions in the granting of clothing allowance. — The following provisions govern the granting of clothing allowance:

a. Annual clothing allowance shall be given to all employees, whether employed on permanent or emergency basis, who are in the service for at least six (6) consecutive months, provided he serves the agency for another six (6) months from the day he receives the allowance.

b. The appropriations provided for each department, bureau, office or agency may be used for uniform and clothing allowance of employees at an amount fixed under existing regulations. Savings in the appropriations for each department, bureau or office may be used for this purpose where no amount is specifically appropriated in the General Appropriations Act.

c. Where the law authorizes the furnishing of uniforms only, this should be construed to include only regulation caps, pants, and coats. Unless expressly mentioned, the purchase of shoes as part of uniform at government expense shall not be allowed (Gen. Cir. 108, Sept. 28, 1914; GHQ-DND Cir. 15, Sept. 26, 1987).

SECTION 306. Authorized clothing allowance of military personnel, reservists and members of paramilitary forces. Different sets of rules govern the clothing allowance of enlisted personnel and trainees:

a. Enlisted Personnel

1. Upon enlistment, minimum clothing items are issued in kind to enlisted personnel.

2. The monthly clothing allowance is P30.00 or the current rate as provided by law.

3. Clothing allowance for every reenlistment shall be in cash equivalent to the total current cost of the clothing items. The order of discharge and reenlistment shall be required to support the claim for cash payment.
4. Enlisted personnel shall be entitled to an additional clothing allowance of twenty pesos (P20.00) or the current rate as provided by law, which shall be paid in cash, upon expiration of the term of enlistment if entered into within two months after discharge or upon expiration of the term of reenlistment, and shall be collected together with the reenlistment clothing allowance.

5. Enlisted personnel whose term of reenlistment is less than three years due to compulsory retirement shall be entitled to receive the corresponding one term cash equivalent of the current cost or clothing allowance.

6. All clothing balances of previous enlistments shall be settled on or before the end of the present enlistment or reenlistment of any enlisted person. Clothing allowance for current enlistment shall be issued in kind provided that the balance of undrawn clothing allowance shall be paid every December and 30th of June of the calendar year in separate payroll. An enlisted person who is discharged from the service shall submit a Final Statement of Accounts supported by AFP AGO Form 32 (Revised), and a certification from his unit commander stating therein his clothing allowances, cash payments made, clothing issues (in kind) and his balances.

7. An enlisted person who is honorably discharged from the service and subsequently enlisted anew as a Private and/or such rank as prescribed by higher authority within a year is entitled to cash payment of enlistment clothing allowance; otherwise the enlistment clothing allowance will be issued in kind.

8. A quarterly showdown inspection shall be made to ensure that the enlisted personnel possess the minimum clothing requirements.

b. Trainees

1. During the first six (6) months of trainee instruction service, initial clothing items in kind, shall be issued to the following trainees:

   a. Probationary 2LTs and Ensigns;
   b. ROTC Cadets on summer camp training;
   c. Reserve Officer during military Instruction/Training; and
   d. Enlisted Reservists during military training

2. When the trainee instruction is extended beyond (6) months, each trainee shall be entitled to sixty (P60.00) pesos or the current rate as provided by law for additional monthly clothing allowance which shall be paid in cash. When a training is extended beyond ten (10) months, each trainee shall be entitled to a monthly clothing allowance of thirty (P30.00) pesos or the current rate as provided by law which shall be paid in cash.

(Cir. NR — 3, Feb. 17, 1988)
SECTION 307. Combat clothing of military personnel and members of para-military forces assigned or detailed with combat units. — The issuance of combat clothing to personnel assigned to combat units shall be guided by the following:

a. Military personnel assigned in combat units are issued authorized combat clothing in kind (GHQ Cir. 3, Feb. 17, 1988).

b. To be entitled to initial combat clothing and subsequent annual combat clothing, military personnel and members of para-military forces must have completed at least six (6) consecutive months tour of duty with a unit engaged in actual combat operations. This additional clothing shall not be granted more often than once every twelve (12) months. The individual clothing record of the military personnel shall be the basis to determine whether the individual was issued this combat clothing or not.

c. The unit commander shall attach a certification to the requisition and issue voucher (RIV), stating therein that the military personnel and members of his unit were actually engaged in combat operations for not less than forty five (45) days within the six (6) months period for which combat clothing is claimed and have not received said clothing items during the period covered.

SECTION 308. Other clothing allowances for military personnel. — Military personnel are likewise entitled to the following types of clothing allowance depending on their assignments:

a. Cold Weather Clothing Allowance (CWCA) —

1. Personnel assigned at PMA and PAFIC: P2,657.00 for officers, filler officers, probationary Lts/ENS and EP; P880.00 for trainees and draftees;

2. Personnel assigned with units other than the above: P1,007.00 for all military personnel including probationary Lts/ENS, draftees and trainees. This comes with a maintenance of P300.00 of military personnel (those receiving CWCA) for every twelve months after the date of issuance of the initial CWCA. This shall be reckoned from the date they report for duty, provided the initial CWCA and the Annual Cold Weather Maintenance Allowance shall not be done within the same fiscal year.

Officers detailed outside the territorial limits of the Philippines, upon return to subsequent place of assignment where CWCA is authorized, will not be given CWCA until after 24 months reckoned from the date of their departure from the Philippines. However, if the 12 months is reckoned from the date they arrive in the Philippines up to the date they report for duty, they shall be entitled to receive the CWCA outright and every 24 months thereafter.

b. Winter Clothing Allowance (WCA) — P250.00 for officers and P150.00 a month for enlisted personnel detailed abroad for schooling.

c. CAFGU Clothing Allowance (CAFCA) — Initially, members of the CAFGUs are given a total of P1,343.86 as their initial clothing allowance and P300.00 every year thereafter as additional clothing allowance.
d. Special Clothing Allowance (SCA) — P300.00 for officers and P150.00 for enlisted personnel performing special duties as aides, escorts, board members, military police and those on flying status for a period of at least six months service reckoned from the date of assignment/detail to such special duties and on flying status with an annual maintenance of P80.00 for officers and P40.00 for enlisted personnel after every 12 months, reckoned from the date of issuance of the initial clothing allowance. This allowance is separate and distinct from winter clothing allowance.

Article 6. Laundry Allowance

SECTION 309. Entitlement to laundry allowance. — The following are entitled to the laundry allowance:

a. Hospital/sanitaria personnel who attend directly to patients and who by nature of their duties are required to wear uniforms;

b. Prison guards; and

c. Uniformed personnel of the Armed Forces of the Philippines and the Philippine National Police.

Laundry allowance in kind may be commuted at such rates as may be authorized by the DBM (Sec. 67, Bk VI, 1987 Adm. Code).

Article 7. Hardship or Hazard Allowance

SECTION 310. Hardship or hazard allowance defined. — Hardship allowance is a type of compensation paid to employees who are assigned in difficult areas or posts characterized by terrain, isolation, inaccessible by ordinary mode of transportation, depredation by animals, extreme weather conditions and other elements of nature.

Hazard allowance is a type of compensation paid to employees who are assigned in dangerous strife-torn areas as classified by the Department of National Defense, and whose lives are directly exposed to work conditions which may cause injury, sickness or death, or harmful change in the human organism such as exposure to harmful chemicals, wastes and pollutants, micro-organisms and other harmful elements or situations that endanger life or health.

SECTION 311. Employees entitled to hardship/hazard allowance. — Employees, whether regular or contractual, assigned on a permanent, temporary, special or travel basis to the following areas, which expose them to great damage or contagion or peril to life, are entitled to hardship/hazard allowance:

a. hardship or difficult areas

b. strife-torn or embattled areas

c. distressed or isolated stations

d. prison camps
e. mental hospitals
f. radiation-exposed clinics or laboratories
g. disease-infested areas
h. areas declared under state of calamity or emergency

SECTION 312. Payment of hazard pay. — Hazard pay shall be paid from the savings in the appropriations of the department/agency concerned which shall not be less than nor more than the amount prescribed in the General Appropriations Act, except in the following cases (Sec. 39, 1991 GAA):

a. Where the rates are specifically provided for under special laws, charters or enabling acts, in which case such rates shall govern; or

b. Where more incentives are needed to attract applicants, in which case the sum may be augmented at rates to be determined by the Department Heads

SECTION 313. Requirements of payment of hazard pay. — Payment will be made to persons entitled thereto upon presentation of the following documents:

a. Evidence from the Department of National Defense that the place of assignment/travel is a strife-torn/hazardous area, or

Certification from the Regional Director concerned in case of assignment in mental hospitals, radiation-exposed clinics and laboratories or disease-infested areas, or

Certification from the Philippine Institute of Volcanology and Seismology in case of volcanic activity and/or eruption

b. Duly accomplished time record of employees or travel report

c. Certification of the Accountant that funds are available for the purpose

d. A copy of special order from the agency Department/head covering the assignment to hazardous/difficult areas

SECTION 314. Hazard pay of officers, enlisted personnel, draftees and extended trainees of the NAFP. — All officers, enlisted personnel, draftees and extended trainees of the New Armed Forces of the Philippines shall be granted hazard pay at the rate of one hundred twenty Pesos (P120.00) each per month.

SECTION 315. Duty hazards. — Duty hazard pay may be granted to personnel in these cases:

a. Hazardous duty pay for civilian personnel —Civilian personnel employed and actually working on-site at the various plants and installations of the Government Arsenal with the approval by the Secretary of National Defense, may be paid hazardous duty pay not to exceed 80% of their basic salary.
b. Hazardous duty pay for military personnel — Military personnel detailed with the Government Arsenal shall be paid hazardous duty pay not to exceed 50% of their basic salary as prescribed for the Armed Forces of the Philippines, chargeable against the appropriations of the Government Arsenal and subject to such rules and regulations to be issued by the Secretary of National Defense.

c. Flying risk pay — The payment of additional compensation not exceeding 50% of their monthly base pay of 1980 rate shall be restricted to those airmen performing duties inherent in the operation of the aircraft while in flight and such other airmen as may be required to fly with the aircraft, excluding passengers as such, when it performs its assigned mission. The duties of the airmen assigned to flying status must involve frequent and regular participation in aerial flights of not less than four (4) flying hours per month.

d. Naval risk pay — Additional compensation not exceeding 25% of their monthly base pay of 1981 rate shall be granted to naval personnel, including 20-year old trainees, lighthouse tenders and other personnel who may be assigned/detailed aboard ship, or whose duty requires regular sea duty, whenever assigned outside Philippine territorial waters. Entitlement to naval risk/sea duty pay shall be subject to rules and regulations prescribed by the Department of National Defense.

e. Parachutist pay — Officers and enlisted personnel assigned to or placed on detailed service with any unit designated as Airborne Unit for training shall be granted parachutist pay of 50% of their base pay of 1987 rate. To be entitled to parachutist pay, he must have performed at least one jump during the three-month period for which the parachutist pay is claimed. It shall be payable once every quarter.

(Compensation Policy Guidelines 80-5)

SECTION 316. Duration of entitlement to hazard pay. — The period of entitlement to hazard pay shall be coterminous with the duration of the actual assignment of the employee in said hardship or difficult area, or with the existence of such danger or peril, but in no case shall it exceed six months unless renewed and subsequent authority is granted therefor, based on the certification of the Secretary of National Defense.

Article 8. Representation and Transportation Allowance

SECTION 317. Provisions in the granting of representation and transportation allowance (RATA). — The grant of RATA is subject to the following rules:

a. The officials/employees who are entitled to receive RATA are as follows:

1. Those who are expressly authorized in the General Appropriation Act (GAA) and those of equivalent rank as may be determined by the DBM; and

2. Those who are duly designated by competent/appointing authority to a vacant position which is entitled to RATA.
b. Officials and employees allowed by law to collect monthly commutable representation and transportation allowances shall be paid from the programmed appropriations provided for their respective offices, not exceeding the rates indicated in the current General Appropriations Act.

c. The grant of commutable transportation allowance must be expressly authorized by law or provided in a budget approved by an appropriating body.

d. Officials and employees receiving commutable transportation allowance are no longer entitled to the use of any government vehicle in the performance of their official duties except as may be approved by the President. If one is used, a proportionate amount should be deducted.

e. Commutable RATA, by its very nature, are additional perquisites attached to a position, the enjoyment of which presupposes actual rendition of service incident to or in connection with the discharge of official duties. Hence, the official who is on leave for more than one month is not entitled to collect the same (COA Dec. 290, Sept. 13, 1982).

f. An employee who is not authorized by the GAA to collect RATA but is designated to a position vacated temporarily by the incumbent on account of his attending a training course, scholarship grant, seminar on similar activity, or on vacation or sick leave, shall be entitled to the regular RATA of the position on a reimbursable basis provided:

1. He is duly designated by the appointing authority (COA Dec. 257 s. 1981);

2. He acted as an Officer-in-Charge for at least one month (COA Dec. 399, June 24, 1987; COA Cir. 80-90A (a), (b) and (c), July 31, 1980);

3. He is expressly authorized in his office order to collect RATA (DBM ruling in its letter dated Jan. 26, 1987 to the Regional Director, Dept. of Agrarian Reform, Region VII); and

4. The incumbent is no longer collecting the same (COA Cir. 80-90(a), supra).

g. An official/employee who was wrongfully removed or prevented from performing his duties is entitled to back salaries but not RATA. The rationale for the grant of RATA is to provide the official concerned additional funds to meet necessary expenses incidental to and connected with the exercise or the discharge of the functions of an office. If he is out of office, voluntarily or involuntarily, it necessarily follows that the function of the office remain undischarged (COA Dec. 1602, Oct. 23, 1990). And if the duties of the office are not discharged, the official does not and is not supposed to incurred expenses. There being no expenses incurred there is nothing to be reimbursed (COA Dec. 2121 dated June 28, 1979).

h. The RATA rates approved by the Supreme Court of the Philippines through a Court Resolution en banc, shall be the allowable rates for members of the Judiciary and equivalent ranks/positions. However, for those positions the rates of which are lower than those authorized for the equivalent ranks/positions, they shall receive the appropriate higher rate prescribed under the General Appropriations Act.
Grant of RATA to officials of government-owned/controlled corporations shall be in accordance with pertinent section of the current appropriation act providing for uniform RATA to officials of National Government agencies and those of equivalent rank as may be determined by the DBM for said government corporations (COA Memo 90-679, October 30, 1990).

SECTION 318. RATA of local officials. — The sanggunian of provinces, cities and municipalities shall determine the allowances and other emoluments and benefits of officials and employees paid wholly or mainly from the respective funds of the province, city or municipality (Sec. 447, 458 and 468, RA 7160).

Article 9. Allowances in the Foreign Service

SECTION 319. Allowances of government officials and employees in the foreign service. — Foreign service personnel, who are citizens of the Philippines and who are assigned at posts abroad, are entitled to the following allowances aside from those charged to Maintenance and other Operating Expenses:

a. Overseas allowance
b. Living quarters allowance
c. Post allowance
d. Family allowance

The basic annual rates of overseas allowances as prescribed for all officers and employees stationed abroad are adjusted in accordance with DFA index subject to periodic percentage adjustments not oftener than once a year to be approved by the President upon the recommendation of the Permanent Committee consisting of the Secretary of Foreign Affairs, Secretary of Budget and Management and the Governor of the Central Bank.

Pertinent provisions on allowances granted to foreign service personnel are provided for in RA 708, as amended by RA 895, RA 1244, RA 1619 and RA 4112.

Chapter 6. Other Benefits

Article 1. Provisions for Retirement

SECTION 320. Retirement under R.A. 660. — The retirement options under R.A. 660 and their main features are summarized hereunder:

a. Compulsory retirement at age 65, provided the member has completed 15 years of service, the last three of which are continuous. Under this condition, the retiree is entitled to lump-sum payment of the present value of the annuity for the first five years and annuity thereafter to be paid monthly for as long as he lives.

b. Optional retirement at age 63 provided the member has completed at least 18 years of service, the last three of which must be continuous. The benefits are the same as those reaching 65 years old.
c. Optional retirement at age 60 provided the member has completed at least 24 years of service, the last three of which must be continuous. Retiree is entitled to receive lump-sum payment of the present value of the annuity for the first 3 years with the balance of the 5-year guaranteed annuity payable upon reaching 63 years and after the guaranteed period to be paid monthly.

d. Optional retirement at age 57 provided the member has completed at least 30 years of service. A younger age of retirement may be permitted provided each year of decrease below 57 shall be compensated by one year increase in service over 30 years. In all cases, however, no one shall be entitled to retirement benefits if the age is less than 57 years or his actual service is less than 15 years. Leaves of absence without pay shall not interrupt the continuity of the last 3 years, provided the total of said leave does not exceed one year.

SECTION 321. Retirement under R.A. 1616. — Rules governing retirement under R.A. 1616 are summarized hereunder:

a. The member, regardless of age, may retire if he has completed at least 30 years of service, the last three of which is continuous. The receivables under the plan is monthly annuity for life (Sec. 1(b), RA 1616).

b. Optional 20-year service retirement, provided the last three years are continuous. Benefits are one month salary for every year of service, plus one and one-half months salary for every year of service over 20 years but below 30 years, and two months salary for every year of service in excess of 30 years, based on the highest salary received. Additional benefits under this plan is the return of personal contributions with interest compounded monthly plus the payment of corresponding employer's share.

c. Disability retirement for members regardless of age, if he becomes incapacitated permanently after completing at least 15 years of service, the last three years of which must be continuous. The disabled member is entitled to disability pension if he had 15 years of service. If retiree has served less than 5 years, he shall be paid his own contribution with interest rate of 3% per annum compounded annually; if 5 but less than 15 years of service, a refund of his premiums including the employer's share but without interest.

Extreme — caution should, however, be exercised in giving instructions for the separation of any government officials and employees so that only those who are compulsorily retirable under the law should be so separated. The following conditions and requirements prescribed by law should be considered:

1. Only members of the government Service Insurance System are subject to automatic and compulsory separation from the service upon meeting the conditions and requirements therefor. Those holding regular and permanent appointments are under the law, automatically members of the System and may be automatically and compulsorily retired even if they have not yet been issued the corresponding GSIS policies.
2. Those who have less than fifteen (15) years of creditable service may not be separated even if they have already attained the age of 65 years. They are entitled to remain in the service until they complete the minimum requirement of fifteen (15) years of service.

3. The last three (3) years of service prior to retirement must be continuous. Hence, an employee who does not meet this requirement may not be automatically separated even if he has attained the age of 65 years with more than fifteen years of service.

4. Temporary, casual, and emergency employees are not compulsory members of the Government Service Insurance System and as such are not subject to compulsory separation even if they are already 65 years of age or over. Their continuance in the service depends on the appointing official concerned.

In order to preclude illegal extension or premature separation from the service for insufficiency of records, the files and records of personnel, particularly as to their correct dates of birth and number of years in the government service, shall be made up-to-date. Incompleteness of records will not be recognized as a valid excuse for the continuance in the service of an official or employee beyond the due date of his automatic and compulsory separation from the service.

Article 2. Payment of Compensation of Insurance Benefits

SECTION 322. Retirement insurance benefit. — Hereunder are the general rules governing payment of retirement insurance benefits such as life annuity, survivor's benefit, etc.

a. Amount of annuity — Upon retirement, a member shall be automatically entitled to a life annuity payable monthly for at least five years and thereafter as long as he lives. The amount of the monthly annuity at the age fifty-seven years shall be thirty pesos, plus, for each year of service rendered after the approval of RA 660, two per centum of the average monthly salary received by him during the last three years of service, plus, for each year of service rendered prior to the approval of said Act, one and two-tenths per centum of said average monthly salary: Provided, That this shall be adjusted actuarially if retirement be at an age other than fifty-seven years: Provided further, That the maximum amount of monthly annuity at age fifty-seven shall not in any case exceed three-fourths of said average monthly salary: And provided, finally, That retirement benefit shall be paid not earlier than one year after the approval of said Act. In lieu of this annuity, he may prior to his retirement elect one of the following equivalent benefits (Sec. 11(a), CA 186, as amended).

1. Monthly annuity during his lifetime,

2. Monthly annuity during the joint-lives of the employee and his wife or other designated beneficiary which annuity however, shall be reduced upon the death of either to one-half and be paid to the survivor;

3. For those who are at least sixty-five years of age, lump sum payment of annuity for first five years and future annuity to be paid monthly; or

4. Such other benefit as may be approved by the System
b. Survivors benefit — Upon death before he becomes eligible for retirement, his beneficiaries as recorded in the application for retirement annuity filed with the System shall be paid his own premiums with interest of three per centum per annum, compounded monthly If on his death he is eligible for retirement, then the automatic retirement annuity or the annuity chosen by him previously shall be paid accordingly (Sec. 11(b), CA 186, as amended).

c. Disability benefit — If he becomes permanently and totally disabled and his services are no longer desirable, he shall be discharged and paid his own contributions with interest of three per centum per annum, compounded monthly, if he has served less than five years; if he has served at least five years but less than fifteen years, he shall be paid also the corresponding employer's premiums, without interest, and if he has served at least fifteen years he shall be retired and be entitled to the benefit provided under subsection (a) of this section: Provided, That if his disability is not due to his own misconduct, gross negligence, intemperate use of drugs or alcoholic liquor, or vicious or immoral habits, he shall also be paid by the employer one month's salary for every year of service, based on the highest rate received If he has served at least fifteen years he shall be retired and be entitled to the benefit provided under subsection (a) of this section, unless he is qualified to receive and choose the benefit provided for in the next preceding sentence (Sec. 11(c), CA 186, as amended).

d. Upon dismissal for cause or on voluntary separation shall be entitled only to his own premiums and voluntary deposits, if any, plus interest of three per centum per annum, compounded monthly (Sec. 11(d), CA 186, as amended).

e. An employee separated from the service who is receiving an annuity described under Section 11, CA 186, as amended, shall not be eligible again to appointment to any appointive position or employment under any 'employer' unless the appointing authority determines that he is possessed of special qualifications his medical examination has been approved by the System in which event payment of his annuity shall be suspended during the period of his new employment: Provided, however, That nothing in this Act (CA 186) shall be so construed as to affect the rights of the annuitant's beneficiary if the annuitant has been receiving or had elected, and was otherwise entitled to a reduced annuity under subsection (a) of this section: And provided further, That upon the termination of his new appointment, the payment of the annuity which was suspended shall be resumed: And provided, finally, That if the annuitant's salary in his new position is less than the annuity granted to him under said Act, he shall be entitled to receive the difference (Sec. 12(f), CA 186, as amended).

SECTION 323. Life insurance benefit. — Hereunder are the main features and the types of insurance under the system:

a. Compulsory membership insurance — An employee whose membership in the System is compulsory shall be automatically insured on the first day of the seventh calendar month following the month he was appointed or on the first day of the sixth calendar month if the date of his appointment is the first day of the month: Provided, That his medical examination, if required has been approved by the System: And provided, further, That he has satisfactorily completed the six-months probationary period required under the new Civil Service Law before his appointment become permanent: And provided,
finally, That the rates of premium as prescribed shall be payable retroactively by him and his employer under such terms and conditions as the System may prescribe (Sec 8(a), CA 186).

However, permanent employee who entered the government service on or after June 1, 1977, his membership shall take effect upon the employee's assumption to duty pursuant to a valid appointment or election (Sec. 21, PD 1146).

b. Optional membership insurance — The life insurance of an employee whose membership in the System is optional shall take effect, if he is alive, on the first day of the calendar month following the calendar month during which the first premium thereon was paid to the System: Provided, That his application for membership and his medical examination, if required, have been approved by the System (Sec. 8(b), CA 186).

c. Amount and kind of insurance — Compulsory membership insurance shall be term insurance of an amount equal to the employee's current annual salary: Provided, however, That this subsection shall not apply to any civilian employee who prior to the approval of CA 186 is already insured in the System nor to a regular officer or an enlisted man: And provided, further, That upon his request a civilian employee may have his old membership insurance changed into a paid-up endowment insurance and be reinsured under a term insurance on submission of satisfactory evidence of insurability unless such request be made within one year from the date of approval of this Act. Optional membership insurance shall be, as he may select, either the term insurance described above or an endowment insurance whose amount shall be whatever the six per centum monthly premium will buy (Sec. 8(c), CA 186).

d. Optional Insurance — Upon application to the Board and on satisfactory evidence of insurability, each member may obtain, at any time, additional life insurance as he may desire, subject to the provisions of Section 14, CA 186, as amended: Provided, That the amount of said additional life insurance shall be in multiple of one hundred pesos and that its aggregate amount shall not exceed an amount, to the nearest hundred pesos, equal to his current annual salary: And provided, further, That the full amount of the premiums on such additional insurance shall be paid by said member, an the amount thereof may be deducted from his pay or compensation, when expressly authorized by him (Sec. 10, CA 186).

SECTION 324. Pension benefit under PD 1146 — Hereunder are the computations and conditions for the entitlement to the benefits under PD 1146, the Revised Government Service Insurance Act of 1977":

a. Computation of basic monthly pension —

1. A basic monthly pension equal to thirty-seven and five tenths percent (37.5%) of the revalued average monthly compensation plus two and five tenths (2.5%) of said revalued average monthly compensation for each year of service in excess of fifteen years but in no case exceed ninety percent (90%) of the average compensation; or
2. The basic monthly pension may be adjusted upon the recommendation of the President and General Manager of the System and approved by the President of the Philippine in accordance with the rules and regulations prescribed by the System.

b. Old-age pension shall be paid to a member who

1. has at least fifteen years of service;
2. has at least sixty years of age; and
3. is separated from the service.

Unless the service is extended by appropriate authorities, retirement shall be compulsory for an employee at sixty-five years of age with at least fifteen years of service: Provided, That, if he has less than fifteen years of service, he shall be allowed to continue in the service to complete the fifteen years (Sec 11, PD 1146).

c. A member entitled to old-age pension shall receive basic monthly pension for life but in no case for a period less than five years: Provided, That, the member shall have the option to convert the basic monthly pensions for the first five years into a lump sum as defined in this Act: Provided, further, That in case the pensioner dies before the expiration of the five-year period, his primary beneficiaries shall be entitled to the balance of the amount still due to him. In default of primary beneficiaries, the amount shall be paid to his legal heirs (Sec. 12(a), PD 1146).

d. A member who has rendered at least three years but less than fifteen years of service at the time of separation shall, upon reaching sixty, receive a cash payment equivalent to one hundred percent of his average monthly compensation for every year of service with an employer (Sec. 12(b), PD 1146).

SECTION 325. Permanent disability benefits under PD 1146. — The requisites and conditions for entitlement to permanent disability benefits under PD 1146 are the following:

a. A member shall be entitled to the permanent disability benefits effective from the date of his disability, provided, that: (1) he has paid at least thirty-six monthly contributions within the five-year period immediately preceding his disability; or (2) he has paid a total of at least one hundred eighty monthly contributions prior to his disability; and (3) his disability is not compensable under any other law (Sec. 14, PD 1146).

b. A member who becomes permanently disabled before he is qualified for old-age pension but entitled to permanent disability benefits shall receive a basic monthly pension for life, if the disability is total. If at the time of his disability, he is qualified for old age pension, he shall be entitled to the basic monthly pension for life but in no case for a period less than five years: Provided, That the member shall have the option to convert the basic monthly pensions for the first five years into a lump sum as defined in this Law.
c. When at the time of his disability, he is not entitled to any of the benefits under paragraph (b) hereof, he shall receive a cash payment equivalent to one hundred percent of his average monthly compensation for each year of service during which he paid contributions, but not less than five hundred pesos.

SECTION 326. Survivorship benefits under PD 1146 — When a member or pensioner dies, the beneficiary shall be entitled to survivorship benefits provided for hereunder:

a. The survivorship pension shall consist of: (1) basic survivorship pension which is fifty percent of the basic monthly pension; and (2) dependent's pension not exceeding fifty percent of the basic monthly pension payable in accordance with the rules and regulations prescribed by the System.

b. If at the time of his death a member is entitled to an old-age pension, his primary beneficiaries shall be entitled in equal shares to the basic monthly pension which is guaranteed for five (5) years and the beneficiaries may convert the pension for the first five (5) into a lump sum. Upon the expiration of the guaranteed period, the primary beneficiaries shall receive survivorship pension for so long as they are qualified.

c. If a member dies without qualifying for an old-age pension, his primary beneficiaries shall be entitled in equal shares to the basic survivorship pension guaranteed for thirty (30) months and the dependent's pension if the deceased member had paid at least thirty-six (36) monthly contributions to the System within the five-year period immediately prior to his death; one hundred eighty (180) monthly contributions to the System prior to his death.

d. If upon death of a member he is not qualified for old-age pension and survivorship pension, the primary beneficiaries shall be entitled to a cash payment equivalent to one hundred percent (100%) of the average monthly compensation for each year the member paid contributions but not less than five hundred pesos (P500.00). In the absence of primary beneficiaries, the amount shall revert to the funds of the System.

e. If the member dies without leaving any primary beneficiaries, the secondary beneficiaries as designated by the member and recorded in the System prior to his death shall be entitled in equal shares to (1) a cash payment equivalent to thirty (30) times the basic survivorship pension, when the member, at the time of his death, is eligible to an old-age pension; or (2) a cash payment equivalent to fifty percent of the average monthly compensation for each year he paid contributions but in no case less than five hundred pesos (P500.00), if the member paid at least thirty six (36) monthly contributions within the five (5) year period immediately preceding his death or the member paid a total of at least one hundred eighty (180) monthly contributions prior to his death.

f. If the pensioner dies, the primary beneficiaries shall receive the applicable pension: Provided, That, the dependent spouse shall not be entitled to said pension if his marriage with the pensioner is contracted within three years before the pensioner qualified for the pension. When the pensioner dies within the period covered by the lump sum, the survivorship pension shall be paid only after the expiration of the said period. This shall also apply to the pensioners living as of the effectivity of PD
1146, but the survivorship benefit shall be based on the monthly pension being received at the time of his death (Sec. 18, PD 1146).

SECTION 327. Other forms of gratuities and pensions.— Other forms of gratuities and pensions for officers and members of the police force and the Armed Forces of the Philippines are provided under other laws:

a. Payment of gratuity, under certain conditions, to the widow and/or children, and in their absence to the other heirs, of a deceased officer or member of any police force or similar governmental organization engaged in the maintenance of peace and order, is provided under Republic Act No. 30 and governed by Executive Orders Nos. 33 and 77, dated December 27, 1946 and August 12, 1947, respectively.

b. Payment of gratuities and pensions for officers and enlisted men who die or are disabled as a result of wounds or injuries received or sickness or disease incurred in line of duty in the active service of the Armed Forces of the Philippines or the Philippine Constabulary as provided for under Republic Act No. 610, as implemented by Executive Order No. 484, series of 1951.

SECTION 328. Documents to support the claims.— Payment of claims shall be supported by the following documents:

a. Approval of retirement by the employer or agency and adjudication by the GSIS;

b. Certificate of availability of fund from an authorized appropriation;

c. Application in writing duly endorsed to the System by the head of office concerned;

d. Complete statement of service record from the employer including statement of leave of absence without pay;

e. Clearance from money and property accountability clearance from GSIS;

f. Statement of Assets and Liabilities;

g. Certificate that the employee has no pending administrative and/or criminal case against him; and

h. Comment and recommendation of the employer regarding services, if any, which are not covered by official records.

SECTION 329. Creditable services for purposes of computing benefits. — The following services are creditable for purposes of computing benefits:

a. The total period of service which forms part of the basis for determining the service credit shall be computed from the date of original appointment, whether under a permanent, temporary, emergency or casual appointment status, including periods of faithful and satisfactory service at different times and under one more government employers.
b. Service rendered overseas under the authority of the Republic of the Philippines.

c. Honorable military service in the Armed Forces of the Philippines. rendered prior to June 15, 1951, the date RA 660 was approved.

d. Honorable military service in the Philippines under authority of the U.S. Government rendered prior to July 4, 1946, the date the Philippines gained political independence.

e. The period from January 1, 1942 to February 28, 1946 and any period not exceeding one year up to the date of reinstatement after February 28, 1946, provided the employee was in the service of the government on December 8, 1941 and was not separated prior to January 1, 1942.

f. Service in the Philippine National Guard.

g. Service as duly elected official with compensation such as senator, representative, governor, mayor, etc.

h. Service while on detail with the U.S. Government agencies in the Philippines in connection with the implementation of the Philippine Rehabilitation Act of 1946.

i. Service rendered after June 16, 1951, during which premiums were not required, if the premiums for the corresponding period are paid later to the System with interest.

j. Service as student assistant in government schools subject to conversion to its equivalent in full-time service.

k. Part-time service shall be considered full-time for purposes of computing length of service. However, for purposes of computing the annuity, part-time service shall be converted to its equivalent on full-time basis, except when such part-time service covers at least the last five (5) years service, in which case all part-time service will be considered full-time.

l. The following services are not creditable for purposes of computing benefits:

1. Periods covered by vacation leave without pay;

2. Services under contractual status.

The aggregate of creditable services as basis for payment of benefits need not be continuous, except where the applicant has only two years of service in which case such two years service must be continuous.

SECTION 330. Creditable leave for purposes of retirement. — These rules shall apply:

a. In order that the period of vacation and/or sick leave covered by commutation may be counted as part of the employee's aggregate period of service for purposes of retirement under Republic Act No. 660, the date chosen by the employee for the effectivity of his retirement must be beyond the expiration of the leave commuted.
b. Creditable service for purposes of retirement shall be "full-time service with compensation". Full-time service refers more to the nature of the service than to whether leaves without pay have been incurred or not. So that whenever by the very nature of the position, "full time" service is required to be rendered, and such service is with "compensation", the requirement of the law is complied with, regardless of whether leaves without pay have been incurred or not. Provided, however, that such leaves of absence may be considered as "actual service" within the meaning of the Leave Law.

c. Leave of absence without pay for any reason other than illness shall not be counted as part of the actual service rendered. Conversely, leave of absence without pay by reason of illness shall be considered as part of the actual service rendered.

Title 6 — MAINTENANCE AND OTHER OPERATING EXPENSES

Chapter 1. Traveling Expenses

Article 1. Definition of Terms

SECTION 331. Traveling expenses. — Travel expenses are expenses incurred by government officials and employees on official travel either domestic or foreign. They include per diems, actual transportation fares, road tolls, parking fees, tips, and such other similar or incidental expenses en route to the destination and back to the permanent official station (Sec 7-1(20), CA 246).

Travel expenses of private individuals are allowed only if authorized by law, rules and regulations.

SECTION 332. Permanent official station. — Permanent official station shall mean the place where the office or regular place of business/work of the officer or employee concerned is permanently located. Agency heads shall specify in writing the permanent official station of personnel assigned to regional/field offices, branches, or units in localities away from the central offices of their respective agencies (Joint COA-DBM Cir. 86-1, Nov. 12, 1986).

A permanent station in contemplation of the law and in accordance with sound administrative policy must be the place where the official or employee is expected to stay most of the time as required by the very nature of his duty (COA Dec. 32-1, June 8, 1976).

SECTION 333. Travel time. — Travel time whether for foreign or domestic travel is construed to mean the period between actual departure from and arrival at the permanent official station. It shall include 3 days before and 3 days after the training, conference or mission held outside of Asian countries and 1 day before and 1 day after for domestic or foreign travel undertaken within Asia. Taking a circuitous route or a side trip shall not be on government expense.

For purposes of granting per diems as provided in Section 16 of Executive Order 129 series of 1968 as amended by EO 53, the travel time allowed in a foreign trip shall be understood to mean actual travel in going to the venue of the training, conference or mission, and in returning therefrom to the Philippines. Per diems shall not be allowed while the travel grantee is still in, or has returned to, the Philippines.
SECTION 334. Senior management positions and their equivalent. — Senior management positions and their equivalent shall include the following:

a. National Government Agencies. Assistant Secretaries, Bureau Directors, Assistant Bureau Directors, Regional Directors, Assistant Regional Directors, Department Service Chiefs; and other positions of equivalent rank.


c. Local Government Units. Governors, City Mayors, Municipal Mayors, Vice Governors, City Vice Mayors, Municipal Vice Mayors.

(Joint COA-DBM Cir. 86-1, supra)

SECTION 335. Middle management positions and their equivalent. — Middle management positions and their equivalent shall include the following:


c. Local Government Units. Members of Sanggunians, Chiefs of Departments/Offices, Assistant Chiefs Department/Offices, Chiefs of Divisions.

(Joint COA-DBM Cir. 86-1, supra)

SECTION 336. Highly Urbanized Cities. — Highly urbanized cities refer to Metro Manila (Manila, Quezon City, Caloocan City, Pasay City, Makati, Mandaluyong, San Juan, Pasig, Parañaque, Marikina, Las Piñas, Muntinlupa, Pateros, Taguig, Malabon Navotas, Valenzuela); Baguio City; Olongapo City; Bacolod City, Iloilo City; Davao City; and Iligan City (Joint COA-DBM Cir. 86-1, supra).

SECTION 337. Other chartered cities. — Other chartered cities refer to chartered cities not included in the above enumeration (Joint COA-DBM Cir. 86-1, supra).

SECTION 338. First five days. — First days is construed to mean the first five days reckoned from the actual date of departure from the permanent station (Joint COA-DBM Cir. 86-1, supra).

Article 2. Domestic Local Travel

SECTION 339. Travel allowance.— The travel allowance of government officials and employees shall be inclusive of per diems, daily allowances, and incidental expenses while in the field. The allowable rates of daily travel allowance shall be as prescribed by law and regulations. The allowable rates of daily travel allowance shall be as follows:
Rate of Allowance

Metro Manila

and other Places

highly Other Other urbanized chartered than cities cities cities

—— ——— ———

Group I

Senior Management

Positions and equivalent

First five days P100 P90 P80
After five days 80 80 80

Group II

Middle Management Positions and equivalent

First five days P90 P80 P70
After five days 70 70 70

Group III

All other national, government
corporation and local
government employees

First five days  P80  P70  P60
After five days  60  60  60

Notwithstanding the foregoing, subject to the availability of funds and pertinent accounting and auditing rules and regulations, the travel allowance prescribed under National Budget Circular 391 dated October 6, 1987, for certain national government corporations may be availed of by national government agencies for a period not exceeding two weeks in any one place, as follows:

            Metro Manila

and other Places
highly Other Other
urbanized chartered than
cities cities cities

Group I
Senior Management

Positions and Equivalent  P175.00  P165.00  P155.00

Group II
Middle Management

Positions and Equivalent  P155.00  P145.00  P135.00

Group III
All other positions.  P135.00  P125.00  P115.00
The top three (3) corporate officers and their equivalents when on official local travel may be authorized the reimbursement of actual reasonable expenses duly supported by receipts. The availment of actual reasonable expenses if applied to national government officials shall include only those above the Senior Management Positions as categorized under COA-DBM Joint Circular 86-1.

A full travel allowance shall be allowed only in case of absence from the permanent official station on official business for one full day.

In cases where such absence is for less than a full day, only the corresponding fractional part of the allowance shall be allowed. For this purpose, a travel allowance shall be divided equally into four units corresponding to breakfast, lunch, dinner, and lodging. Each of these units shall be determined as follows:

a. Breakfast — When leaving the permanent official station before or returning thereto after 7:00 a.m.

b. Lunch — When leaving the permanent official station before or returning thereto after 12:00 noon.

c. Dinner — When leaving the permanent official station before or returning thereto after 7:00 p.m.

d. Lodging — When leaving the permanent official station before or returning thereto after 12:00 midnight.

The allowance prescribed in this section, or the corresponding units thereof shall not, however, be allowed in cases where the fare paid for transportation includes meals and quarters en route, or where meals and lodging are paid for or furnished by the government.

An official/employee, who is on official travel and whose travel duration was extended on account of illness, is not entitled to additional per diems or reimbursement of actual expenses because no services were rendered (COA Dec. 77-128, August 10, 1977).

SECTION 340. Transportation. — Hereunder are the guidelines on the mode of transport, public conveyances, fares and expenses, vehicles, air transport preference, etc., that government officials/employees may avail of:

a. The Department head, or equivalent position shall determine the mode and class of transportation to be taken which shall be the most advantageous to the government from the standpoint of economy and efficiency.

b. As a general rule, only the ordinary public conveyances or customary modes of transportation shall be use. The use of taxis and chartered trips or special hires of PUs, garage cars, launches, motorboats, sailboats, bancas, and other extraordinary means of transportation shall not be allowed unless justified by the prevailing circumstances, such as, but not limited to, carrying large amounts of
cash, bulky equipment which cannot be conveniently transported through ordinary mode of transportation or important documents, inclement weather, accompanying dignitaries or high government officials, or when time is of the essence (Join COA-DBM Cir. 86-1, supra).

c. The amount of transportation allowable shall be the actual fare at the prevailing rates of the authorized transportation from the permanent official station to the destination or place of work or assignments in the field and back, plus other expenses, Such as transportation and portage from office or residence to points of embarkation and from points of debarkation to office or temporary residence in the place of assignment in the field and return. It shall not include local transportation and other expenses after arrival in the office or temporary residence in the place of assignments in the field which are contemplated to be covered by the travel allowance as defined (Joint COA-DBM Cir. 86-1, supra).

d. In cases where government vehicles are used in the travel, the officials and employees concerned are not entitled to the actual transportation fare (Joint COA-DBM Cir. 86-1, supra).

e. Under no circumstances should fuel be issued privately owned motor vehicles. No reimbursement for the cost of gasoline or diesel fuel and oil shall be allowed where a private vehicle is used; however, the officials and employees concerned shall be entitled to the reimbursement of the equivalent cost of the customary mode of transportation.

f. Agencies or instrumentalities of the government including government-owned or-controlled corporations are mandated by the rules and regulations implementing PD 894, as amended by PD 1446, to avail of the services of the Philippine Flag Air Carrier for passenger/cargo air transportation services. Said implementing rules and regulations authorizes the Commission on Audit to disallow payment of passenger fare or air cargo freight on any foreign flag carrier from funds of the Republic of the Philippines in the absence of a waiver duly issued by the Civil Aeronautics Board, or by its duly authorized Philippine consular office abroad (COA Cir. 79-102, June 11, 1979).

All officials and employees of the government, both national and local, and of government-owned or-controlled corporations, their subsidiaries and acquired assets, who are authorized to travel by air especially abroad, on official time, including foreign consultants and foreign official guests whose air fare are paid by the government or by its instrumentalities, should travel by PAL or through its connecting airlines. In the event that the ultimate destination is not served by PAL, the itinerary shall provide for travel via PAL to a point nearest the destination on condition that this will not result in higher transportation cost or delay in the official itinerary (COA Cirs. 82-179, Mar. 31, 1982 and 82-179A, Apr. 20, 1982).

g. Purchases of tickets in connection with official travels may either be by cash, check or credit account to be indicated on the Transportation Order.

1. For agencies with credit account with the Carrier, the Transportation Order shall be supported by a certification as to availability of funds by the Chief Accountant of the agency-payor. The Carrier shall send the bill within the period agreed upon with the agency concerned. The Carrier ticket number with the corresponding Transportation Order number shall serve as the basis for payment.
2. As much as possible, government agencies shall purchase transportation tickets by check or on credit to prevent fraudulent travel. Cash purchase be granted only in emergency cases (COA Cir 82-179B, June 4, 1982).

h. In the issuance of the ticket, the Carrier issuing officer shall print his name and affix his signature, indicate the ticket number, the date and place of issue, sales report number and validation stamp on the Transportation Order. For all government-paid travels, the Carrier representative or the issuing officer shall write the name of the agency-payor on the face of the ticket below the name of the official/employee. The code "GA" (Government Account) and the Transportation Order number shall be indicated on the invoice box of the ticket.

If, for any justifiable reason, the itinerary of travel is changed, thereby requiring a change in the corresponding ticket, all the entries/codes entered on the first (original) ticket shall also be indicated on the, subsequently issued ticket (COA Cir. 82-179B, supra).

i. Copies of the Transportation Order shall be distributed as follows:

1. Original — To be presented to the Carrier and later attached to the Certificate of Travel Completed
2. Duplicate — Carrier
3. Triplicate — Attached to Traveling Expense Voucher
4. Quadruplicate — Central File

(COA Cir. 82-179B, supra)

j. In case the travel is not undertaken, the employee/official or his duly authorized representative shall surrender the unused ticket to the Carrier which shall refund the cost thereof in the form of check payable in the name of the agency-payor. All refunds shall centralized at and effected by the Carrier.

k. The Accounting Unit of any government agency or entity shall not honor any ticket submitted after the completion of travel by the official/employee to liquidate his traveling expenses if the name of the agency is not indicated on the ticket as required.

l. The original Transportation Order properly accomplished by the agency concerned and the Carrier shall be attached to the certificate of travel completed and shall be one of the requirements of post-audit (COA Cir. 82-179B, supra).

SECTION 341. Travel expenses of employees transferred from one station to another. — Whenever due to the exigencies of the service and not at his own request an official or employee is transferred from one station to another, said official or employee and his spouse and children below twenty-one years of age shall be entitled to transportation and freight for reasonable and necessary baggage and household effects, at the expense of the Government, to be paid from the appropriation for travel expenses of the bureau or office concerned (Sec. 81, PD 1177; Sec. 74, Bk. VI, 1987 Adm. Code).
Baggage and household effects may include motor vehicles provided said baggage and household effects do not exceed 3,000 kilos (COA Dec. 79-199).

SECTION 342. Travel expenses of officers or employees traveling on temporary assignment. — Officers or employees traveling from one point to another on official business in the course of their duties or temporarily assigned to duty in a locality other than their permanent station, shall be allowed to have transported at government expense only such amount of personal baggage, as trunks, wearing apparels, instruments, papers and books, as may be considered necessary in the performance of their official duties not to exceed a total of 500 kilos (EO 199 s. 1939).

Reimbursement of cost of lodging and meals of wife and minor children of an officer or employee incident to travel is considered included in transportation only when it cannot be possibly separated therefrom as when travel is done by water.

SECTION 343. Travel expenses of employees subpoenaed as witness. — An employee who is subpoenaed as a witness for the Government in any civil case to which he is not a party or as witness in any criminal case, is entitled to his actual necessary travel expense, or to travel allowance in lieu thereof.

The salary and travel expenses of employees subpoenaed as witnesses shall be paid to said employees from the appropriation or funds of the agency in which the witness was employed at the date of service of the subpoena, and said agency shall thereupon be entitled to collect the amount thereof from the agency in interest.

SECTION 344. Travel expenses of private individuals as witnesses. — Necessary travel expenses may be allowed for witnesses known to be indigents whose testimony in courts of justice is considered material and indispensable in the trial of any criminal case. This includes the actual and necessary expense for subsistence.

In order to assure the appearance of an indigent witness entitled to the payment of expenses for travel and subsistence the fiscal or attorney for the defense assigned to a pauper defendant, as the case may be, shall previously apply therefor in writing and under oath to the court concerned. It having been shown that the testimony of the witness is material and the witness indigent, said court shall order a summons issued shall direct the provincial treasurer to provide, insofar as possible, the necessary means for the appearance of the witness out of government funds.

SECTION 345. Travel expenses of government officials or employees for private entity. — The travel expenses of a government official or employee who is assigned to render special service to any private person or entity shall be paid from a deposit which the private party shall be required to make before the performance of the special service is commenced. The limitations and requirements provided for travel expenses payable from government funds shall apply.
SECTION 346. Authority, documentation requirements and manner of payment. — Hereunder are the rules governing the proper authority, documentation requirements and payment for official travel abroad.

a. Before starting on an official trip, the official or employee concerned shall prepare a detailed itinerary of travel (Appendix A, Form A or B). For travels to various destinations during one official trip, he may use Form B. The itinerary shall in all cases be approved by the agency head or his duly authorized representative.

Field officers of national agencies or offices assigned in provinces, cities, and municipalities shall not leave their official stations without giving prior written notice to the local chief executive concerned. Such notice shall state the duration of travel and the name of the officer whom he shall designate to act for and in his behalf during his absence (Sec. 96, RA 7160).

b. In the case of national government agencies, where the travel will last more than a month but not exceeding three months, it shall be further approved by the Department Head concerned. However, travel that exceeds three months shall be further approved by the President or the official to whom the authority has been delegated.

The authority granted to department heads to approve travel when it is more than one month but less than three months cannot be delegated to under-secretaries (DBM Secretary ruling in answer to the query of the Secretary of Department of Environment and Natural Resources).

c. In the case of local government units, provincial, city, municipal, and barangay appointive officials going on official travel shall apply and secure written permission from their respective local chief executives before departure. The application shall specify the reasons for such travel, and the permission shall be given or withheld based on considerations of public interest, financial capability of the local government unit concerned and urgency of the travel. Should the local chief executive concerned fail to act upon such application within four (4) working days from receipt thereof, it shall be deemed approved.

Mayors of component cities and municipalities shall secure the permission of the governor concerned for any travel outside the province (Sec. 96, RA 7160).

d. The Itinerary of Travel shall be serially numbered and prepared in triplicate. The original shall be attached to the corresponding payment voucher. The duplicate copy shall be kept in a central file of the head office of the agency and the triplicate copy shall be retained by the officer or employee concerned.

e. However, in cases of employees of agencies with fully decentralized field offices in the Regions maintaining complete cash, accounting and auditing services, the duplicate copy of the Itinerary of Travel shall be retained in the local file.

f. The travel expenses, if no transportation is provided by the Government, shall be determined on the basis of the previously approved itinerary and paid to the officer or employee in advance of the trip.
g. Payments made shall not be construed as cash advances but as direct charges to the appropriations or allotments.

h. When a trip is cancelled, the amount paid in advance shall be refunded in full. In cases where the trip is cut short or terminated in advance of the itinerary, the excess payment shall likewise be refunded. These refunds shall be made immediately upon cancellation or termination of the trip. It shall be the primary duty of agency heads to see to it that such refunds are enforced promptly.

i. Upon completion of the trip, the official or employee shall prepare the Certificate of Travel Completed (Appendix B). He shall submit the certificate with the original copy of the Appendix A duly attested as to appearance and the used plane, boat or bus tickets to the accountant as support documents for the prepayment of his travel expenses. Or he shall attach them to a new voucher if he has to be reimbursed for additional travel expenses in case the trip exceeds the approved itinerary, subject to the following requirements:

1. He submits a written justification satisfactory to the agency head and an additional itinerary for the extended stay in the field or extension of the trip, approved by the agency head; and

2. He first secures approval of his extended trip by higher authorities when the duration of the whole travel exceeds the authority of the agency head.

(Joint COA-DBM Cir. 86-1, supra)

SECTION 347. Limitations to local travel. — The following are the general rules on limitations to local travel, the grant of reimbursements and per diems and the documentary requirements therefor:

a. The following officials and employees shall not be entitled to the authorized traveling allowances:

1. Officials and employees whose permanent official station is within Metro Manila Area and are authorized to travel to places within this area; and

2. Officials and employees whose permanent official station is in places other than the Metropolitan Manila Area and are authorized to travel in places within the city/town wherein their official station is located.

These officials and employees shall, however, be allowed reimbursement of actual fare at the prevailing rates of transportation from permanent official station to the destination and back and the authorized cost of meal allowance duly supported by receipts (Joint COA-DBM Cir. 86-1, supra).

b. When travel is done by water and subsistence is not included in the transportation cost, the amount actually and necessarily spent for subsistence during such travel time shall be paid, and no per diems shall be allowed in lieu thereof (Sec. 80, PD 1177).
c. Per diems and travel allowances shall not be granted to members of field parties or others for whom subsistence and allowances in kind are supplied or other special provision made to cover travel expenses (Joint COA-DBM Cir. 86-1, supra).

d. No official or employee of the Government who remains temporarily at one station for a period longer than one (1) month shall be paid per diems in excess of one (1) month except upon the approval of the head of department and, in case his temporary stay in any one place exceeds three (3) months, payment of per diem in excess of three (3) months shall be made only upon the previous approval of the Secretary (Sec. 73, Bk VI, 1987 Adm. Code).

e. The required submission of the customary certificate of appearance, used transportation tickets and the certificate of travel completed shall be complied with. Otherwise, the corresponding voucher shall not be allowed in post audit. The burden of proof shall be upon the employee concerned to show by the production of the documentary evidence satisfactory to the Auditor that the travel was actually made (Joint COA-DBM Cir. 86-1, supra).

Article 3. Foreign Travel

SECTION 348. Types of foreign travel. — Foreign travel is undertaken by government officials and employees for one or the other of the following purposes:

a. Scholarships, fellowships, and training or study grants to be approved by the special committee on scholarship created for the purpose:

1. Scholarships, fellowships, and training or study grants secured, arranged, offered, or sponsored by the Philippine Government or any of its instrumentalities;

2. Scholarships, fellowships and training or study grants from outstanding foreign universities or institutions upon recommendation of the department concerned; or

3. Scholarships, fellowships, training or study grants and such other offers from outstanding foundations and scholarship programs as the Rockefeller Foundation, the Barbour Scholarship, the Carnegie Foundation, the Guggenheim Foundation, the Asia Foundation, the Russel Sage Foundation, the Colombo Plan, etc. (Sec. 1, EO 129 s. 1968).

b. Conferences, special missions, and other non-study trip.

1. Conferences or seminars sponsored by foreign governments or international government organizations to which the Philippine Government is committed or invited to send representatives or participants;

2. Conferences or seminars sponsored by private organizations, whether international or not, invitations to which have been sent through their respective governments to the Philippine Government;

3. Conduct of examinations or investigations of Philippine Government agencies or offices; or
4. To undertake any other official mission which cannot be assigned to any other Philippine Government official or officials already abroad (Sec. 1, EO 401, s. 1990).

c. Assignment to foreign service posts such as officials and employees of the DFA, Trade and Labor attaches, etc.

SECTION 349. Pre-travel allowance. — The grantee or trainee shall be provided allowance of P600.00 for local transportation fares to and from or within Metro Manila; medical examination; processing for the issuance of passport and travel tax exemption including incidental expenses for photographs, affidavits, certificate of birth and other related expenses; airport expenses excluding fees for excess baggage; and local porterage at customary rates (Sec. 4, EO 367, s. 1989).

SECTION 350. Scholarships, fellowships and training or study grants. — The allowable travel expenses for scholarships, fellowships and training or study grants are as follows:

a. Living allowance and per diem

1. The grantee or trainee, irrespective of his official rank, shall be entitled to a monthly stipend or living allowance for the duration of the training, including travel time at rates prescribed by laws and regulations.

2. In cases of ad hoc studies or observation trip of not more than 30 days in connection with the training, scholarship or fellowship, the grantee or trainee shall be entitled to such per diem as may be authorized by the Special Committee on Scholarships, but not exceeding $15.00. Should said ad hoc studies or observations be at the same place for more than thirty (30) days, the grantee or trainee shall receive instead the monthly allowance herein provided, effective as of the commencement of said studies or trips.

3. Where the study or training program itself involves travel from station to station, the grantee or trainee shall be on travel status and shall be entitled to per diem or living allowance, as the case may be, in accordance with the next preceding paragraphs, provided that the travel status shall not be more than thirty (30) days within a period of one (1) year. Travel status in excess of thirty (30) days shall be subject to approval by the Special Committee on Scholarships (Sec. 5, EO 367 s. 1989).

b. Transportation — The grantee or trainee shall be entitled to transportation next below the first class; Provided, that in case the host country or sponsoring organization or agency provides a lower class of transportation, the grantee or trainee concerned may avail himself of the class of transportation herein authorized, the additional cost to be borne by the office concerned if funds are available therefor (Sec. 6, EO 129, supra).

c. Clothing allowance — The grantee or trainee shall be granted clothing allowance of $400.00 for temperate and $300.00 for tropical zones for the duration of 24 months and below (Sec. 1, EO 367, supra).
d. **Tuition and matriculation fees, books and supplies** — When the grant does not so provide, the grantee or trainee shall be entitled to tuition and matriculation fees, as well as books and supplies which are certified by school authorities as necessary for his studies. The amount to be allotted for books and supplies shall not exceed $150.00 per year (Sec. 8, EO 129, supra).

e. **Medical and dental care** — Where the grant does not so provide, the grantee or trainee shall be entitled, during his stay abroad, to a reasonable allowance for medical care and hospitalization if the illness is contracted in line of duty. If the grantee or trainee becomes seriously ill and his recovery cannot be expected within a reasonable time, he shall be returned home as soon as his physical condition permits. Allowance for dental care shall be only for needed ordinary treatment, but shall not include dentures, bridges, and other related services (Sec. 9, EO 129, supra).

f. **Insurance** — Any official or employee on official foreign travel shall be allowed reimbursement of premiums for accident insurance for the duration of his official trip abroad which insurance shall not exceed fifty thousand pesos (P50,000.00). Under no circumstances shall premiums on insurance of personal or household effects belonging to any official or employee on official travel be charged to government fund (Sec. 23, EO 129).

SECTION 351. **Conferences, missions and other study trips.** — Government officials and employees who are authorized to travel abroad to attend conferences or on missions are entitled to the following allowances:

a. **Transportation** — In cases where officials and employees authorized to travel abroad are not provided with transportation allowance by the host country or sponsoring organization or agency, they shall be allowed official transportation which shall be of the economy class unless otherwise specified in the travel authority (Sec. 4, EO 401, supra).

b. **Clothing allowance** — Officials and employees authorized to travel abroad under this Section shall be granted clothing allowance as prescribed in Section 5 of Executive Order No. 401, dated April 1, 1990.

c. **Representation expenses** — Philippine delegations to international conferences and conventions and special missions may be allowed such reimbursable representation expenses as shall be absolutely necessary to enable them to uphold the prestige of the Republic of the Philippines or to represent the country with dignity and distinction and to carry out their function and objectives more effectively and only upon prior approval of the President.

Representation expenses may be incurred for necessary entertainment, contributions, flowers, wreaths, and the like, when justified by circumstances, and in conformity with the generally accepted customs and practices (Sec. 7, EO 401, supra).

d. **Daily allowance and reimbursable limit for hotel room rate.** Officials and employees who travel abroad shall be granted daily allowance and reimbursable hotel room expense as follows:

Reimbursable
<table>
<thead>
<tr>
<th>Category</th>
<th>Allowance</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Department Secretaries, Executive Secretary, Cabinet Secretary, Cabinet Secretary, Chairmen of Constitutional Commissions and those of equivalent rank</td>
<td>$100</td>
<td>$100</td>
</tr>
<tr>
<td>2. Department Under-secretaries, Deputy Executive Secretary, Cabinet Under-secretary, Members of Constitutional Commissions, and those of equivalent rank</td>
<td>90</td>
<td>90</td>
</tr>
<tr>
<td>3. Assistant Secretaries, Chairman of governing</td>
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boards and the General
Managers or the
managing heads of
government-owned or-
controlled corporations,
heads of delegation
with full powers,
Directors of bureau-
level offices,
Department Regional
Directors, Chiefs of
Missions, Consuls-General,
Counsellors, Chief of
Staff of the Armed
Forces of the
Philippines, and other
officials of equivalent
rank 80 80

4.  Vice-Chairmen and Members
of governing boards and
councils, and the
Assistant General
Managers and other
assistant managing heads
of government-owned
or-controlled corporations,

Assistant Bureau
Directors, other general
officers of the
Armed Forces of the
Philippines, Foreign
Service Officers, and
other officials
of equivalent rank 70 70

5. Heads of primary
units and officials
of equivalent rank 60 60

6. All other employees 50 50

The above allowances for Department Secretaries and officials of equivalent Cabinet rank shall be in lieu of the $80.00 per day reasonable expenses authorized under Executive Order No. 367, series of 1989.

Daily allowance is intended to cover subsistence, incidental local transportation expenses, and other miscellaneous/incidental expenses, like porter fees, tips, and road tolls.

The daily allowance herein provided for shall be granted only for the duration of the official trip, including travel time which shall be computed according to the most direct air route, not more than three (3) days before and three (3) days after the conference or mission unless otherwise specified in the authority for the trip. Any additional time extension caused by taking diverse route shall not be on government time or expense.

In highly meritorious cases, reimbursement of actual hotel room rate may be allowed only for Department Secretaries and those officials of equivalent rank only upon prior approval of the President and if so specified in the travel authority (Sec. 6, EO 401, supra).
e. Insurance — Any official or employee who is authorized to travel under this Section shall be allowed reimbursement of premiums for accident insurance, not exceeding two hundred thousand pesos (P200,000.00), for the duration of his official trip abroad. Under no circumstances shall premiums on insurance of personal or household effects belonging to any official or employee on official travel be charged to government funds (Sec. 10, EO 401, supra).

SECTION 352. Assignment to foreign service posts. — Government officials and employees who are assigned to foreign service posts are entitled to the following allowances aside from those charged to Personal Services:

a. Transportation Expense

b. Relocation Allowance

Pertinent provisions in the granting of transportation expenses and relocation allowance are provided for in Republic Act 708 as amended by Republic Acts 895, 1244, 1619 and 4112.

SECTION 353. Authority, documentation requirements and manner of payment for foreign travel. — The general guidelines on travel authorization, itinerary, travel order, cash advance, certification of travel and attendance are as follows:

a. The President shall approve all foreign travels of the Department Secretaries, Undersecretaries, Heads of financial institutions, Justices of the Supreme Court and the Court of Appeals, members of the Constitutional Commissions and those which require full power (EO 6 s. 1986).

The Secretary shall approve the travels of all other officials and employees. Travel for scholarships, fellowships, trainings and study grants shall have been approved by the special committee on scholarships.

Local government officials traveling abroad shall notify their respective sanggunian, provided that when the period of travel extends to more than three (3) months, during periods of emergency or crisis or when the travel involves the use of public funds, permission from the Office of the President shall be secured (Sec 96, RA 7160).

b. Upon receipt of the travel authorization from the President/Secretary, the official or employee concerned shall prepare the detailed itinerary of travel. The preparation and disposition shall follow the manner for the local travel.

c. The head of the agency shall issue a travel order to the authorized carrier for the air transportation. Payment shall be made direct to the Airline.

d. The official or employee concerned shall be granted a cash advance for his travel expenses.

e. Upon completion of the trip he shall submit the certificate of travel completed with his official travel report, certificate of attendance to the training, seminar or conference and his used airline, bus or train tickets.
f. All travels abroad under the study grants shall be with salary unless the employ of substitutes is imperative and no savings or other funds are available for the payment of the salaries of the substitutes (Sec. 4, EO 129, supra).

g. Dollar requirements on foreign travel shall, as much as possible, be availed of at the Central Bank under its Fiscal Agency Service (COA Cir. 77-63, Sept. 7, 1977).

SECTION 354. Limitations to foreign travel. — Hereunder are the limitations on per diem, clothing, other expenses related to foreign travel:

a. Where the trainee, grantee, scholar or official traveling abroad is provided by the host government or institution with per diem, or allowance lower than that prescribed in Section 351 of this Manual, he shall be entitled to the difference only (Sec. 11, EO 401, supra).

b. Clothing allowance shall not be granted oftener than once in every twenty-four (24) months, and a certification shall be submitted to the effect that no clothing allowance had been received during the next preceding twenty-four (24) months. In cases where the clothing allowance previously received by the official or employee concerned was less than the clothing allowance for the subsequent trip, or when the clothing allowance being granted by the donor is less than the prescribed clothing allowance, he may be granted the difference (Sec. 5, EO 401, supra).

c. Expenses for valets, room attendants, laundry; pressing, haircuts, and similar services furnished by hotels are not reimbursable (Sec. 21, EO 129, supra).

d. No private person shall be granted the privilege of reimbursement/payment of foreign travel expenses and allowances for services under the guise of voluntary service except in case of emergency and when authorized by the President.

SECTION 355. Obligations of officials and employees who travel abroad. — Officials and employees who travel abroad have the following obligations and conditions to meet:

a. Every official or employee assigned or authorized to travel abroad to attend conferences, seminars, examinations shall, within thirty (30) days after his return to the Philippines, submit a report with his recommendations, if any; on the conference or seminar attended, examination or investigation conducted, or mission undertaken to the head of his office, furnishing a copy each thereof the Department head concerned and the Office of the President. In case of participation in an international conference or convention in which the Philippines is represented by a delegation, a report of the delegation shall be submitted to the President of the Philippines through the Secretary of Foreign Affairs not later than one month after the closing of the conference or convention. Any member of the delegation may also submit a supplementary report. Violation of these provisions shall subject the official or employee concerned to disciplinary action (Sec. 9, EO 401, supra).

b. Each applicant selected for scholarship, fellowship, or training or study grant shall be required to undergo a thorough and complete physical examination by the Department of Health or any other Government health or medical unit adequately equipped for the purpose. Applicants possessing such
symptoms of disease as might affect their usefulness as students or trainees shall be rejected (Sec. 3, EO 129, supra).

c. In consideration of his acceptance of a scholarship, fellowship, or training or study grant pursuant to the provisions of EO 367, the grantee or trainee binds himself to the following conditions:

1. To live up to the terms and conditions of his grant;

2. To conduct himself in such a manner as not to bring disgrace or dishonor to himself or to his country;

3. To keep up with the standards of scholarship or accomplishments;

4. To submit to the head of his office and the Committee his official transcript of grades at the close of each quarter, term or semester,

5. To return immediately upon the termination of his scholarship/training;

6. To submit to the head of his office and the Committee a report on his study/training, within sixty (60) days after his return to duty;

7. To submit a re-entry plan or proposal for the application of newly-acquired skills or expertise to his Office and the Committee, upon completion of at least six months study/training; and

8. To serve his office or any other government office or instrumentality, as the exigencies of the service may require, for the specified period indicated below:

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<tr>
<th>Academic and Non-academic programs,</th>
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<td>including extensions</td>
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<td>Training</td>
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<tr>
<td>Service</td>
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<td>Duration of Scholarship Obligation</td>
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For every year or a 2 year fraction thereof

not less than 6 months

A fraction of 1 year
less than a year
6 months but not
less than 2 months

A fraction of a 6 months
year less than
2 months

9. Failure of the grantee or trainee to fulfill the obligations provided under subparagraphs 1, 2, 3 and 4 of this Section shall be sufficient cause for the cancellation of his scholarship/training grant and for his recall. Should failure in any of such cases be due to his own fault or willful neglect, he shall refund all expenses.

10. For failure to render the required length of service referred to in subparagraph 8 of this Section, on account of voluntary resignation, retirement, separation from the service through his own fault or other causes within his control, the grantee or trainee shall refund in full to his agency such amount as may have been defrayed for expenses incident to his scholarship/training as determined by the Committee.

One who suffers incapacity to render further service to the government is relieved of his obligation to reimburse expenses incurred on account of scholarship grant (COA Decision 81-242, February 12, 1981).

11. It is the policy of the Committee on Scholarships to allow proportionate refund of the monetary value of the grantee's or trainee's service obligation, when he has served at least 75% of the total service obligation in the agency/department which sent him abroad.

The proportionate amount and mode of payment shall be determined by the agency and confirmed by the Committee. In such cases, the amount shall be paid within three (3) years from the effectivity of the arrangement between the grantee or trainee and his agency, and to the execution of the affidavit of undertaking duly secured by a bond with his agency/department.

(Sec. 2, EO 367, supra)

SECTION 356. Safeguards in the granting of travel allowances to government officials/employees who are on foreign travel. — It shall be the responsibility of the head of the agency to see to it that the privileges granted are not abused. As an aid in discharging this responsibility, the following minimum requirements shall be strictly observed:

a. The Accountant shall retain a copy of the travel expense voucher and the Appendix A. He shall keep an index of the travels made by each official/employee and shall monitor the liquidation of the travel expenses/cash advances.
b. Within five days after arrival from travel the official/employee shall submit the Certificate of Travel Completed (Appendix B) with the used transportation tickets and the Certificate of Appearance or equivalent to the Accountant. The Accountant shall invalidate the documents submitted to preclude their re-use, record the completed travel on the index card and attach the documents to the travel expense voucher.

If the voucher has been submitted to the Auditor, the Accountant shall first indicate on the face of the documents the travel expense/transportation voucher and check numbers before submitting them to the Auditor. The latter shall attach them to the vouchers already in his custody.

c. The official or employee shall secure the Certificate of Appearance or equivalent evidence of the trip such as certificate of attendance in the training, seminars, etc., copy of minutes of meeting, report of activities undertaken, if the activities are confidential in nature a certificate by the supervisor of the accomplishment, etc. If he is subpoenaed as witness he shall also secure from the courts a certificate to the effect that he is a witness for the government and not a party thereto.

d. He shall also keep the used tickets for the transportation availed of.

e. He shall submit the official travel report.

f. The grantee shall submit any request for extension of scholarship, fellowship, training or study grant within a reasonable time before the expiration of the period originally authorized for recommendation by the Department Head and consideration by the special committee on scholarships (Sec. 2, EO 129, supra).

Chapter 2. Communication Services

SECTION 357. Telephone charges. — Hereunder are the general rules on phone rentals, long-distance calls, bills, records, and restriction thereon:

a. Telephone rentals must conform to the prevailing rates. The telephone numbers indicated in the bill must be checked against the telephone installed in the office.

b. Long distance calls for official business shall be limited to urgent and absolutely necessary business of the Government. The use of long distance messages shall be strictly limited and shall be resorted to only under extreme and exceptional circumstances, such as messages principally dealing in matters of vital importance and matters which affect the security of life and property.

c. All officers placing long distance calls should certify to the official nature of the conversation including the name and address and the official designation of the party called.

d. The corresponding number of days during which there has been an interruption in the use of telephone should be recorded and reported to the unit preparing the payment of claims in order that the charges involved may be deducted from the telephone bills presented.
e. Unless authorized by law or regulation, no government official is entitled to telephone service at his residence and payment of bills relative thereto.

SECTION 358. Telegrams, cables and wireless charges. — The following rules pertaining to telegrams, cables and wireless messages shall be observed:

a. Charges must conform with the prevailing rates supported by invoices/receipts and a copy of the message sent.

b. Telegrams, radiograms, cablegrams and all other wireless messages official in nature shall be used only for matters of urgent importance which cannot be transacted effectively through the mails.

c. The message transmitted must be brief and concise. All unnecessary words and phrases shall be eliminated.

d. Any personal matter contained in an official message which has no bearing thereon should be charged against the sender.

e. Messages covering request or authorization for leave of absence, personal business or greetings for birthdays, anniversaries, etc., are personal in nature and should not be charged to the government funds.

SECTION 359. Postage charges. — The following general rules keeping control over postal charges shall be observed:

a. Purchase of postage stamps must be supported by statements showing by denomination the balances on the date of the last purchase, the issues since then, and the balances on the date of the new purchase. The stamps on hand must be verified at least once every quarter from a logbook maintained to control use of the stamps.

b. Postage stamps purchased for official use must be marked "OB".

c. Postage metering machine may be used by the agency for which a permit should be secured from the Postal Service Office. The latter shall load the machine whenever necessary. The controls used for the use of postage stamps shall be followed in the use of a postage metering machine.

Chapter 3. Repair and Maintenance of Government Facilities

SECTION 360. Prosecution of work by administration or by contract. — Before prosecuting any public works, either by administration or by contract, there must be:

a. A certificate of availability of appropriations, free from other obligations, issued by the Chief Accountant of the agency concerned pursuant to Section 86 of PD 1445;

b. A program and estimate of work prepared by the project engineer; and

c. Prosecution by contract shall follow the requirements of "Contracts" (Sec. 14, PD 733).
Chapter 4. Use, Repairs and Maintenance of Government Vehicles

SECTION 361. Regulations on the use of government motor vehicles. — Hereunder are the basic rules on the use of government vehicles:

a. Exclusive use of government motor transportation shall be allowed only to officials specifically authorized under existing appropriation law or other special laws.

b. With the exception of the President, no government official or employee authorized to use any vehicle operated and maintained under existing law shall be allowed to use more than one vehicle. The Chief Justice of the Supreme Court may be allowed the use of two motor vehicles (Sec. 14, PD 733).

c. The use of Philippine Air Force aircraft and Philippine Navy watercraft shall be limited to military personnel and their immediate dependents, the President of the Philippines, their aides and guests, civilians of any organization or agency involved in relief in cases of disasters and calamities, settlers with their farm implements going to the settlements, and prisoners and prison guards without subsistence from Manila to the provinces and vice versa. Bona fide veterans, reserve components including ROTC cadets and WATC cadets receiving training, and such other persons who may be authorized by the Secretary of National Defense are also authorized the use of AFP watercraft/aircraft. Authority extended to the latter persons shall be reflected in appropriate invitational orders which may also provide for the fees to be collected from such passengers pursuant to the provisions of Section 572 of the Revised Administrative Code, as amended; Provided, further, that the rate charged shall not be in excess of the rates charged by the commercial lines.

Except in the cases enumerated above, the use of aircraft, watercraft, vessels and motor vehicles of the AFP for other purposes is unauthorized (COA Cir. 75-6, Nov. 7, 1975).

d. All government motor vehicles shall be used exclusively and strictly for official business.

1. All departments, agencies, offices, government-owned and/or-controlled corporations, local government units and other government instrumentalities are prohibited from using government vehicles for purposes other than official business: Provided, That in every case, the trip ticket authorizing the use of the vehicle shall be displayed the windshield or in another conspicuous place on the vehicle: Provided further, That the vehicles used by intelligence and investigative agencies of the government shall not be covered by the foregoing proviso.

The use of government vehicles on Sundays, legal holidays, out of regular office hours or outside the route of the officials or employees authorized to use them, or any other person other than such officials or employees, shall unless properly authorized, be prima facie evidence of violation of this Section in the administrative proceeding against the officials or employees responsible for such violation (Sec. 2, E.O. 418, August 13, 1990).

2. The use of government motor vehicles for private social functions such as receptions, balls, theatres, and for other personal purposes is absolutely prohibited. Likewise, use thereof by the spouses,
children, relatives, friends, etc. of the officials entitled thereto, even if they are in the company of said officials, is strictly prohibited (COA Cirs. 75-6, supra and 84-238, Nov. 6, 1984).

3. In view of the nature of their duties and responsibilities and their official and social standing in their communities, the chiefs of offices, provincial governors, provincial treasurers, provincial auditors, division superintendent of schools, district health officers, district engineers, and others of equal rank shall be entitled to government transportation from residence to office and vice-versa and in connection with civic and semi-official activities beneficial to the public interest, such as the conduct of drive for voluntary contributions for charitable purposes, attendance at public functions and others of similar nature (Sec. 4. EO 31, s. 1954; COA Cir. 75-6, supra).

e. Use of government vehicles shall be properly controlled and regulated.

1. The use of government motor vehicles should be through properly accomplished and duly approved driver's trip ticket which should be serially numbered, a summary of which shall be made at the end of the month in a Monthly Report of Official Travels for audit purposes (COA Cirs. 75-6, supra and 77-61, Sept. 26, 1977).

2. All motor vehicles owned by the government should be plainly marked, "For Official Use Only", under which should be written the corresponding name of the Agency operating or using the same. The mark should appear on each side of the motor vehicle. When there is no sufficient space on each side, the same should appear at the back and on the front just below the windshield of the motor vehicles (COA Cirs. 75-6, supra and 77-61, supra).

3. All government motor vehicles shall bear government plates only, except security vehicles exempt from using government plates (COA Cirs. 75-6, supra and 77-61, supra).

4. All government motor vehicles are required when not in use to be kept in the garage provided therefor by the agency to which they belong except when in use for strictly official business outside office hours (Sec. 13, PD 733).

However, bringing home a government motor vehicle after office hours by the official to whom it is assigned may be allowed if the agency does not have a garage that could ensure the safety of the vehicle or when in terms of mileage/time, it is more economical for the official to park the vehicle at his residence (COA Circular 85-55, Sept. 8, 1985).

f. Fuel consumption of government motor transportation shall be properly controlled and accounted for through approved Requisition and Issue Voucher or its equivalent (COA Cir. 77-61, supra).

g. Monthly Report of Fuel Consumption of government motor transportation shall be submitted to the Auditor within the first ten days of the succeeding month by the Chief, General Services Division or equivalent.

In the determination of the quantity of the gasoline required for each motor vehicle for each trip, all personnel concerned shall be guided by the average minimum and maximum gasoline and oil
consumption of the different types of motor vehicles. An allowance of 10% may be tolerated (COA Cir. 77-61, supra).

h. No official who has been granted transportation allowance by any government office, shall be allowed to use government motor transportation. If a government vehicle has to be used, a proportionate amount shall be deducted from the transportation allowance of the official concerned.

SECTION 362. Maintenance and repairs of government vehicles and requirements for payment. — The following are the general rules for the maintenance and repairs of government vehicles and the requirements for payment therefor:

a. Requests for repair and/or servicing of vehicle should be approved by proper authorities.

b. If the repair involves replacement of spare parts, a Report of Waste Materials should be prepared upon submission of the worn-out spare parts.

c. Certificate of the Property Officer must state that the vehicle belongs to or is used by the agency, and the repair is necessary, and that the defect in the vehicle is incurred through normal wear and tear and not due to the fault or negligence of any official or employee.

d. In the case of a major repair such as general reconditioning, overhauling, repainting, etc., the following are required in addition to the foregoing requirements:

1. Canvass from at least three (3) repair shops or public bidding if the amount involved is more than P50,000. In the local government units, repair services shall be acquired through competitive public bidding except as otherwise provided in the Local Government Code.

2. The repair shop to which the contract is awarded should be duly accredited by the Department of Trade and Industry, except in places where there is no accredited shop in the locality or where the accredited shop does not have sufficient facilities or where the cost of services of the accredited shop is relatively high or completion of repairs will suffer delays as certified by the head of the agency or his duly authorized representative (COA Cir. 77-51, Mar. 10, 1977; COA Cir. 85-55, supra).

3. The job contract should be very clear as to the specific job to be undertaken. The specifications of materials to be used, the period within which the job is to be completed and other details in accordance at least with the specifications in the bid offer.

4. Warranty certificate of the repair shops shall be clear as to coverage and period.

5. The certificate of acceptance by the Property Officer should be clear that the work or service done are in conformity with the specifications of the contract and accomplished within the specified period of time.

Chapter 5. Transportation Services

SECTION 363. Hauling services. — Persons concerned must comply with these rules:
a. The contract shall be signed by the contracting parties after public bidding and award and approval by the proper agency official.

b. The freight charges shall be within the rates authorized by the Regulatory Franchise and Transportation Board, computed either by volume or weight.

c. The articles hauled shall be received by the agency consignee in good order and condition. In case of short delivery or damage while in transit, the damage should be charged to the carrier.

SECTION 364. Shipments. — Unless otherwise provided parties to the transactions must comply with the following:

a. Claims for freight charges shall be supported by a copy of the bill of lading and/or an airway bill, as the case may be, signed by the consignee or his representative.

b. Chiefs of offices shall advise all officials and employees who may become consignee to insert the place and date of receipt of shipment on the space provided therefore in the bill of lading.

c. Material erasures or alterations on a bill of lading shall not be allowed. Where a mistake is committed, the bill of lading where such mistake is made shall be cancelled and a new one issued, in which case, the original of the bill of lading cancelled shall be attached as one of the support documents of the claim. However, if the issuance of a new bill of lading is not possible, the alterations shall be certified correct by both the carrier and the shipper.

d. In case of loss of the original bill of lading, the same may be paid on a certified duplicate copy thereof, provided the carrier or the person responsible for the loss executes an affidavit stating the circumstances of the loss and certifying that in case it is found the same will be surrendered to the Government and no effort will be made to collect on same.

e. As a national policy, Philippine outgoing and incoming cargo should be shipped on Philippine flag or owned vessels or carriers, both sea and air.

Chapter 6. Supplies and Materials

SECTION 365. Basic requirements in the payment of supplies and materials. — Claims for payment of supplies and materials shall be supported by:

a. An original copy of the dealer's invoice showing the quantity, description of the articles, unit and total value, duly signed by the dealer or his representative.

b. An indication of acceptance by a duly authorized official/employee on the invoice or on a separate document.

c. Requisition for equipment or supplies approved by the agency head or a duly authorized official of the agency.

d. Purchase order issued by the agency supported with:
1. Documentary evidence of public bidding, if any, or

2. Canvass from at least 3 bona fide dealers if emergency purchase was resorted to, or

3. Duly notarized certificate of exclusive distributorship of the dealer/supplier, properly attested by his principal, and a corollary certification by the Requisitioning Officer, duly approved by the Agency Head, to the effect that no suitable substitutes can be obtained at more advantageous terms to the government of the supplies/equipment, if the same was procured from a sole distributor (EO 298 s. 1940 as amended by EO 301 s. 1987).

   e. Memorandum receipts signed by the officials or employees to whom the semi-expendable supplies had been issued.

   f. Where the supplies and materials delivered are subject to test, the claims should be supported by the evidence of the sampling made by the Technical Inspector of the article subjected to test in the presence of the dealer or his representative. The payment covering 80% of the purchase value of the articles subject to test should not be released unless accompanied by a certificate signed by the dealer or his authorized representative waiving his right to be present in the sampling.

   g. Stock position sheet for purchase above P1,000 for each item.

Chapter 7. Rents

SECTION 366. Basic requirements for payment of claim. — Claims must be based on contracts executed as hereunder provided:

   a. Contracts of lease shall be in accordance with the guidelines formulated by the Department of Public Works and Highways (COA Cir. 88-282(a)).

   b. As a general rule, contracts of lease should be co-extensive with the period for which the appropriation is provided, with a prohibition to pay rentals in advance.

   However, a deposit made under a lease contract shall not be considered as advance payment. The deposit may be applied to the payment of rentals in anticipation of or negotiation for the termination of the contract (COA Cir. 85-55A, supra).

   c. The lease agreement should be signed by the contracting parties duly authorized to execute the contract and the witnesses thereto and acknowledged before a Notary Public; and its terms and conditions are fixed and must not be disadvantageous to the government.

SECTION 367. Limitations and use of appropriations for rentals. — The persons concerned shall comply with the following limitations:

   a. No appropriations authorized in the General Appropriations Act shall be used for renting motor transportation equipment for a continuous period of more than fifteen days, except as may be authorized by the Secretary (Sec. 76, Bk VI, 1987 Adm. Code).
b. Any appropriation authorized in any act for rental of buildings and grounds for any department, bureau, office or agency shall be available for expenditure only when authorized by the Department Head concerned (Sec. 79. Bk VI, 1987 Adm. Code).

c. With the concurrence of the Secretary of Budget and Management and the Secretary of Finance, the head of the Department may contract with any government financial institution for loans intended for the acquisition of land for the construction of an office building for any of the agencies under the department. Annual amortizations of the loans shall be taken from the appropriation for rental authorized under any Act for the department, bureau, or office concerned (Sec. 79, Bk VI, 1987 Adm. Code).

Chapter 8. Interests

SECTION 368. Basic requirements for payment of interests. — The following are the basic rules for the payment of interest:

a. Authority for the incurrence of the obligations together with the terms and conditions for repayment and the rates of interests charged.

b. Repayments and interest charges shall be remitted on time as stipulated to avoid penalties and the payment of additional interests. If the interest and penalties are due to the negligence of an official/employee, the same shall be charged to his account.

Chapter 9. Grants, Subsidies and Contributions

SECTION 369. Requirements for payment of claims. — The following are the criteria for the payment of claims for grants and subsidies:

a. There must be a specific appropriation provided therefor.

b. Grants, subsidies and contributions must be for the public interest dependent on the essential character of the direct object of the expenditure which must determine its validity, and not the magnitude of the interest to be affected.

c. There must be an expressed authority by constitutional provision, by statute or by the charter of the agency or instrumentality to provide appropriations.

d. The contemplated results should be advantageous to the agency concerned. If the benefits to accrue to the agency are indirect or merely incidental and to come by reaction rather than as an immediate result, then the transaction is ordinarily not within the powers of the government entity.

e. Financial assistance in the forms of grants-in-aid for scientific and technological research as well as grants to upgrade research capability through fellowships, scholarships, workshops, seminars, symposia, etc. and to promote research results dissemination, are allowed, provided the agency making the grants is authorized by law.
Chapter 10. Awards and Indemnities

SECTION 370. Hospital fees. — Hospital fees include hospital laboratory fees, fees for professional services of the hospital physicians, operating or dressing room fees, cost of medicines furnished by the hospital and accommodation and subsistence.

SECTION 371. Basic requirements for the settlement of claims. — The basic requirements for the settlement of claims for awards and indemnities are as follows:

a. The claim should be submitted to, passed upon and approved by the Department Head concerned.

b. The claim should be supported by evidence showing that the death, sickness or injury, as the case may be, occurred or was contracted or sustained in line of duty.

c. The determination of service connection of the causative sickness or injury shall be done by a committee in each department created for the purpose. The Committee should consider the following:

1. Nature and extent of the sickness or injury incurred or sustained by the officer or employee concerned;

2. Position held and nature of official duties including duration of daily duty, regularity and frequency of exposure to the elements and other general conditions obtaining during the performance of duty;

3. Facts and actual circumstances surrounding the incurrence of incipience of disease, sickness or injury; and

4. Physical condition upon entrance into the service and at the time of separation therefrom, as may be established by reports of physical examination, clinical records, certificate of discharge and other official records or reports, if any.

d. Where death or hospitalization occurred after separation from the service, no determination of service connection shall be made unless warranted by clinical records, reports of physical examination, certificate of discharge, or other official records and reports existing at the time of separation from the service clearly indicating that the employee was suffering from the causative sickness, disease or injury while in the government service. Affidavits, certificates, clinical records, medical reports and other documents of similar nature made after the separation of the employee concerned from the service shall be given weight only insofar as they corroborate facts and statements appearing in the official records and reports existing on or before his separation from the service plainly and unmistakably showing the causal relation of the performance of his official duties to injuries, wounds or disease-producing sickness or death. Claims based purely on such affidavit, certificate and clinical records, medical reports or other documents of similar nature shall not be entertained.
e. Before the final approval, each claim shall further be supported by a definite finding by the proper Department Head that sickness, injury, disease or injury:

1. was not the proximate result of the officer's or employee's abuse of authority, misconduct, willful failure, gross negligence, indiscriminate use of drugs, or alcoholic liquor or vicious or immoral acts or habits;
2. was not contracted prior to his entry into the service or after his separation therefrom; and
3. was not incurred or contracted during his absence without authority from his assigned place of duty.

f. Payment of an approved claim, whether it be for death benefit or for payment of medical attendance, necessary transportation, subsistence and hospital fees shall be subject to availability of funds and the usual accounting and auditing requirements. In specially meritorious cases, should it be deemed necessary to make exception to the policy laid down, prior approval of the President shall be obtained.

g. Where a claim is disapproved, the decision which shall be in writing addressed to the claimant, through channels in proper cases, shall clearly state the facts upon which decision is based and the reasons for the disapproval. From the adverse decision, the claimant may, within thirty days from receipt of copy, appeal to the Supreme Court on certiorari.

SECTION 372. Limitations to payment of claims. — The limitations on availment of hospital fees and other medical benefits are summarized hereunder.

a. Medical aid and other expenses reimbursable to a government official or employee shall be those incurred for the actual duration of the treatment of his sickness or injury which period in no case exceeds six months reckoned from the time it is incurred regardless of whether or not the employee concerned has been separated from the service or whether the injury or sickness has been cured or not (Opinion, Off. of the Pres., Feb. 1964 embodied in AG MC 498, Sept. 16, 1964).

b. Compensation shall not be allowed for injuries caused by the following:

1. the voluntary intent of the employee to inflict injuries upon himself or another person;
2. drunkenness on the part of the laborer who had the accident;
3. notorious negligence of the official or the employee.

Chapter 11. Loan Repayments and Sinking Fund Contributions

SECTION 373. Repayments of loans. — Loans should meet the following criteria for repayment:

a. There must be a legal authority for the incurrence of the loan and a specific appropriation provided for the repayment.
b. Computation of repayment should be based on the terms and conditions of the loan agreement and on confirmed balances of the individual items. Unconfirmed balances should be thoroughly investigated before effecting any payment.

c. The loan must be for a specific purpose and/or in accordance with the objectives for which the borrowing agency was created.

SECTION 374. Sinking fund contributions. — A sinking fund is a fund established at the date of a bond issue, or at some date prescribed by law or by the bond indenture, to accumulate resources for the retirement of the bond. The fund is used to account for the resources to be applied later to liquidate a bonded debt and is not terminated until the bonds have been retired. The bonds themselves, however, are not liabilities of the fund.

Chapter 12. Losses/Depreciation/Depletion

Article 1. Loss of Money and Property

SECTION 375. Causes of loss of money and property. — Loss can occur thru any of the following:

a. Theft, robbery, fire, earthquake, storm and other causes, or death, in case of animals.

b. Destruction or disposition, if the property is no longer serviceable.

SECTION 376. Requirements for taking up loss and relief from accountability. — Officers concerned shall take such measures as are required, to wit:

a. The accountable officer shall immediately notify Auditor upon the happening/discovery of the loss. In case of delay of the notice, he shall give a satisfactory explanation for such delay. The Accountant shall take up the loss and the claim for unrelieved loss of property.

b. The Property Officer shall file claims against the Property Insurance Fund if the property is insured with the GSIS or other authorized insurance company. The proceeds shall be treated as income and shall be deposited to the agency account or remitted to the National Treasury. The receipt of the claim shall not, however, relieve the accountable officer of his accountability (COA Cir. 81-160, April 21, 1981).

c. The Accountable Officer shall be relieved of accountability upon the approval of the COA or its representative of his request for relief. For losses due to destruction or disposition, the Accountable Officer shall be relieved from accountability after appropriate action on the Waste Material Report or the Inspection and Inventory Report.

d. When the relief is granted, the cost of the property and the claim for unrelieved loss shall be dropped from the books by a journal voucher. No journal entry shall be made if the property is not carried in the books of accounts at the time of the loss.
Article 2. Depreciation

SECTION 377. Depreciation defined. — Depreciation is the portion of the cost or other basic value of a tangible capital asset allocated or charged as expense during the fiscal period.

SECTION 378. Guidelines in taking up depreciation. — In computing depreciation expense, the following considerations are relevant:

a. Depreciation may be a part of the cost of goods manufactured or an operating expense. It must be provided for regardless of the level of earnings of the agency. The financial statements will be misstated if depreciation is omitted when the agency is losing and provided for only when the agency is gaining.

b. Depreciation should not be recognized on property, plant and equipment during their construction period or new equipment undergoing testing and breaking in until such assets are capable of being used. However, when partial use of the asset can be identified with an income-producing center and the corresponding cost can be ascertained, the related depreciation should be allocated to that operation.

c. Depreciation should be continued even on units of property, plant and equipment that are reserved or on stand-by, or idle either temporarily or for an extended period.

d. Provisions for depreciation are only estimates and there may be need to revise them during the life of the assets. The changes in estimates should be handled currently and prospectively.

SECTION 379. Factors of depreciation. — In order to properly compute the amount of depreciation three factors are necessary:

a. Depreciation base is the cost or other basic value of the asset which includes all expenditures relating to the acquisition and preparation for use. Appraised value may serve as depreciation base where revaluation of property is warranted.

b. Scrap value is the amount estimated to be recovered when the asset is retired from use. It is also known as residual value, salvage value, recovery value or trade-in value. The scrap value should be net of dismantling or removal cost.

c. Useful life is the expected service or economic life of the asset. It may be expressed in the following ways:

1. Time periods as in years or months;
2. Working hours or service hours;
3. Units of output or production.

SECTION 380. Methods of depreciation. — The agency may follow any of the following methods or other generally accepted methods which it may deem proper:
a. Straight line method

b. Composite and group method

c. Replacement fund or sinking fund method

d. Declining balance method

e. Diminishing rates on cost method

SECTION 381. Straight line method. — The formula for the computation of the annual depreciation under the straightline method is as follows:

\[
\text{Annual Depreciation} = \frac{\text{Cost minus scrap}}{\text{Life in years}}
\]

Depreciation cost multiplied by the annual rate of depreciation also gives the amount of annual depreciation. The annual rate is determined by dividing 100% by the life of the asset in years. This method is adopted when the principal cause of depreciation is time. Examples of assets which depreciate principally because of time are buildings, dams, bridges, office equipment, radio and TV, towers, etc.

SECTION 382. Composite and group method. — For large agencies which own various individual depreciable assets, it is more practical to compute depreciation by treating many individual assets as though they were a single asset. There are two methods of depreciating various individual assets as a single asset:

a. Composite method

b. Group method

Under the composite method, assets that are dissimilar in nature or assets that have different physical characteristics and vary widely in useful life, are grouped and treated as a single unit.

Under the group method all assets that are similar in nature and in estimated useful life are grouped and treated as a single unit.

The pertinent accounting procedures are the following:

a. Depreciation is reported in a single accumulated depreciation account which is not related to any specific asset account;

b. The composite or group rate is multiplied by the cost of the asset in the group to get the periodic depreciation;
c. When an asset in the group is retired, no gain or loss is reported. The asset account is credited for the cost of the asset retired and the accumulated depreciation account is debited for the cost minus salvage value;

d. When the asset retired is replaced by a similar asset, the replacement is recorded by debiting the asset account and crediting cash or other appropriate account. Subsequently, the composite or group rate is multiplied by the balance of the asset account to get the periodic depreciation.

SECTION 383. Replacement fund method. — A fund shall be available upon the expiration of the life of the asset for the purchase of a similar asset at a price approximately equal to that of the old asset. The amount of depreciation includes not only the historical cost of the asset but also the interest on the accumulated fund that is intended to enable the replacement of the asset when its service life expires.

Upon the expiration of the life of the asset, the replacement fund should be equal to the difference between the original cost and the scrap value. The fund is accumulated from a definite annual contribution augmented by interest computed on the balance immediately preceding each additional contribution.

SECTION 384. Declining balance method. — This method provides higher depreciation in the earlier years and lower depreciation in the later years of the life of the asset. The annual depreciation is arrived at by multiplying the declining value of the asset by a fixed or uniform rate. The following formula is used to get the fixed rate:

In this method the value of the asset can not be reduced to zero and the formula can not be used unless there is a scrap value, hence a scrap value must always be assigned to the asset.

SECTION 385. Diminishing rates on cost method. — The depreciation is arrived at by multiplying the cost of the asset by diminishing rates. There is no rule for determining, the rates to be used since the rates are arbitrarily chosen. The scrap value is also expressed as a percentage of the cost.

Article 3. Depletion

SECTION 386. Depletion defined. — Depletion is the removal, extraction, or exhaustion of natural resources or wasting assets. The withdrawal of oil or gas, the cutting of timber, the mining of iron, copper, silver, coal, sulfur or ore are examples of processes leading to the exhaustion of wasting assets. Depletion is the process of systematic allocation of the cost or other basic value of the natural resource over the periods the wasting asset is extracted or produced.

SECTION 387. Guidelines in taking up depletion. — The following considerations help determine depletion:

a. There shall be a quantitative exhaustion taking place in a natural resource. Depletion shall be the cost of the materials that becomes directly embodied in the product of the company.
b. Depletion shall involve a distinctive asset that can not be directly replaced in kind upon its exhaustion.

c. When the need to revise the depletion rate arises, the revision shall be handled currently and prospectively by dividing the remaining depletable cost of the wasting asset by the revised estimate of the deposit. The revision of the estimate of the wasting asset may be due to new information made available or new and different production processes followed.

SECTION 388. Manner of computation. — Divide the cost of the wasting asset by the units estimated to be extracted to get the depletion rate. Multiply the depletion rate per unit by the units extracted during the year to arrive at the depletion for the period.

Article 4. Amortization — Organization Cost

SECTION 389. Organization Cost. — Organization cost refers to costs incurred in forming or organizing a corporation, which include:

a. Legal fees in connection with incorporation.

b. Promotional or underwriting fees.

c. Incorporation fees.

d. Costs of printing stock, stock certificates, stock and transfer book, seal of the corporation, etc.

e. Other costs of services rendered in the formation of the corporation.

SECTION 390. Amortization of organization cost. — Organization cost may be amortized over five years, or if the amount is not material, it may be considered as expenses in the first year of operation.

SECTION 391. Provision for market decline of inventory. — Whenever proper, these measures must be applied:

a. Price declines actually occurred on balance sheet date and not just possible, future, prospective, anticipated or contingent declines in the replacement market.

b. Inventory is reported at cost and losses in both beginning and ending inventories are recognized separately.

c. Cost of sales is actual and perpetual records need not be adjusted to conform with reduced inventory value.

d. Allowance for market decline is set up and is shown as deduction from the inventory to conform with the lower trend of cost or market.

Chapter 13. Water, Illumination and Power Service
SECTION 392. Requirements for payment of claims. — The following are the requirements for the payments of claims for water, illumination and power service:

a. Bills shall be attached. The previous meter readings shall be checked against the preceding bill.

b. Rates are those allowed under existing regulations.

c. Any significant increase in consumption is caused by operation and not by any defect in the service.

Chapter 14. Social Security Benefits, Rewards and Other Claims

SECTION 393. Expenses covered. — Social security benefits include the following:

a. Payments under this account include all claims for social security benefits, rewards and compensations, and other claims for past services other than pensions of government employees or their beneficiaries who are:


2. Separated from the service without cause but as a result of a reduction in force for lack of work or funds, or for necessary change in scope or nature of an agency's program in the interest of economy, or abolition of an agency or office.

b. Payment of retirement gratuities is also charged to this account.

The retirement pay accruing to a public officer may not be withheld and applied to his indebtedness by administrative fiat but by virtue of a court order (Cruz v. Tantuico, 166 SCRA 670).

Chapter 15. Auditing Services

SECTION 394. Expenses included. — This account includes the amount remitted to the Commission on Audit for auditing services rendered to the national or local government agency or corporation. Any other expense of the Auditing Unit borne by the Agency concerned, but not remitted to the COA, shall be considered in the applicable expenditure object of the agency. Changes to this account shall consider the following:

a. The cost of regular audit services rendered by the COA shall be based on the cost of the audit function in the agency concerned plus ten percent (10%) thereof to cover overhead expenses.

b. The actual audit cost shall include personal services, maintenance and other operating cost, depreciation and out-of-pocket expenses.

c. Other than the cost of audit billed by the COA, the government agency shall not make any direct payments for the COA's operation and personnel costs, unless such costs pertain to special audits or related services.
d. Personal Services refer to salaries and mandatory allowances/fringe benefits for the COA personnel involved in the audit of the government corporation as expressly authorized by law and/or other administrative issuances, including statutory contributions related thereto.

e. Maintenance and Other Operating Expenses refer to rents, traveling expenses, communication services, freight and delivery charges, supplies and materials, water, illumination and power, maintenance of motor vehicles, authorized discretionary and representation and other services.

f. Depreciation refers to depreciation allowance for the COA's capital assets and equipment used in the audit of the government corporations.

g. Out-of-Pocket expenses refer to all other expenses incurred directly related to or connected with the audit engagement.

SECTION 395. Guidelines in the assessment and payment. — Assessments and payments are done as hereunder outlined:

a. The COA shall prepare the assessment for the cost of regular audit services for the ensuing year for each government-owned and/or-controlled corporation its subsidiaries, with copy furnished the corporation concerned, Department of Budget and Management and the Bureau of the Treasury (BTr), in time for the preparation of the corporate operating budgets.

b. The government corporation shall include an amount equivalent to the cost of regular audit as determined by the COA in its corporate operating budget for the succeeding year.

c. The DBM shall provide for the full requirements for the cost of audit services for government corporations in the COA’s appropriation for the succeeding year. Such appropriation shall be released regularly and automatically in accordance with the Work and Financial Plan approved for the year.

d. The DBM shall ensure that the corporate operating budgets include the cost of audit services as determined by the COA.

e. The government corporations shall remit to the BTr the said cost of audit services in six (6) equal installments, each installment to fall due on or before the 15th day of the months of January, March, May, July, September and November of the calendar year, and shall furnish the DBM and the COA each with a copy of proof or certificate of remittance made to the BTr.

f. BTr shall follow-up/demand in writing the remittance of delayed installments five (5) days after the same has become due;

g. The BTr may request the DBM to withhold from the national government equity contribution or subsidy due the government corporation concerned, if any, such amount equivalent to the unremitted corporate audit cost.
h. Upon request of BTr, the DBM shall withhold from the national government equity contribution or subsidy due to government corporation concerned, if any, such amount equivalent to the unremitted corporate audit cost.

i. The difference between the assessment billed the government corporation for auditing services as incorporated in the corporate operating budget and the actual cost incurred for the same year shall be adjusted in succeeding year’s assessments. This applies as well to cases of government corporations audited by the COA for the first time where no budgeted appropriation for the cost of audit has been provided.

Chapter 16. Training and Seminars

SECTION 396. Regulations on the conduct of government training and development programs. — Programs and allowances:

a. The head of the agency shall be responsible for approving the training and development programs of their respective agencies. Likewise, accreditation of such programs for purposes of personnel actions shall be the responsibility of the head of the agency.

b. All government agencies may conduct in-house training programs for the development and productivity of agency personnel with the use of minimal expenses for:

1. Supplies and materials;
2. Materials reproduction (hand-outs);
3. Rental for training venues/facilities for offices/agencies which do not have any;
4. Resource person services; and
5. Communication and transportation expenses.

For this purpose, training programs shall refer to those activities involving instruction and strategies whereby participants will be required to undergo manual or practical exercises and action learning as a means of strengthening work and job related skills. In all instances of training administration, efforts shall be exerted in utilizing available resources and government facilities.

In-house training programs shall, as much as possible, be conducted on a non-residential basis and without any provision for participants meals or snacks.

c. Training programs for government-wide participation conducted by government training institutions for specific clientele groups and aimed at skills development and capability building shall be conducted in the most economical manner possible. These institutions include, among others, the Civil Service Commission, the Career Executive Service Board, the Commission on Audit, the Development Academy of the Philippines, the Foreign Service Institute, the National Manpower and Youth Council, the National Computer Center, the Statistical Research and Training Center, UP Law Center and the
National Defense College of the Philippines. Residential training programs shall only be allowed for those activities conducted by these and similar institutions.

d. Government employees may participate in external training and other development programs conducted by non-government organizations, private institutions or training centers on official time only at no additional expense to the agency concerned, subject to the approval by their respective agency heads.

e. Payment for resource person service may be allowed for outside lecturers, discussants and speakers or agency personnel who are not members of the training staff of the office or agency conducting the in-house training programs. Payment for such services shall not exceed P250.00 an hour based on the qualification and expertise of the resource persons.

(CSC MC 20 s. 1991; CSC MC 9 s. 1989).

The foregoing guidelines are, however, subject to whatever restrictions in pursuance with economy measures which the President may issue from time to time.

Chapter 17. Extraordinary and Miscellaneous Expenses

SECTION 397. Guidelines for payment of extraordinary and miscellaneous expenses. — The officials concerned shall be guided by the following rules:

a. The amount fixed by the Budgetary Act for the offices and officials authorized shall be the basis for control in the disbursement of these funds.

b. No portion of the amounts authorized and fixed by law shall be used for salaries, wages, allowances, and intelligence and confidential expenses which are covered by separate appropriations.

c. The entitlement to the benefit shall be on a strictly non-commutable or reimbursement basis. The corresponding claim for reimbursement of such expenses shall be supported by receipts and/or other documents evidencing disbursement, if these are available, or, in lieu thereof, by a certification executed by the official concerned that the expenses sought to be reimbursed have been incurred for any of the purposes contemplated under the law or regulation in relation to or by reason of his position. In the case of miscellaneous expenses incurred for an office specified in the law, such certification shall be executed solely by the head of the office.

(COA Cir. 89-300, Mar. 21, 1989)

d. Extraordinary and Miscellaneous expenses may be taken from any authorized appropriation but shall not exceed the ceiling set forth in the Appropriations Act. To allow said expenses to be charged to the item of expenditure "Other Services" would open the floodgates to the use of extraordinary/miscellaneous expenses beyond the limit set by law (COA Dec. 563, June 30, 1988).

Chapter 18. Confidential and Intelligence Expenses
SECTION 398. Purpose of confidential and intelligence funds. — The confidential and intelligence funds shall be utilized for the following purposes:

a. National defense, peace and order, intelligence, counter-intelligence programs of the Department of National Defense and related agencies;

b. For specific intelligence and/or confidential operation of the National Government agencies and government-owned or-controlled corporation with appropriation for intelligence and/or confidential funds;

c. In the case of the National Security Fund, for undertaking national security missions; and

d. For police investigation and detection activities, police intelligence and arson investigation activities.

(COA Cir. 88-293, Dec. 12, 1988).

SECTION 399. General provisions. — Audit of confidential and/or intelligence expenses shall be done in accordance with the following rules:

a. All transactions chargeable against the intelligence and/or confidential funds of all departments, bureaus and office of the National government, government-owned or-controlled corporations, including their subsidiaries, self-governing boards or commissions, and the local government units within Metro Manila shall be submitted for audit in a sealed (taped) envelope direct to the Chairman, Commission on Audit (COA) or his duly authorized representative.

b. Except for the Metro Manila area, all COA Regional Directors are authorized to audit transactions involving the intelligence and/or confidential funds of all agencies whether national, local or corporate within the region when such funds are allotted to the regional office concerned.

c. Disbursement vouchers (General Form No. 5 [A]) should be properly accomplished and adequately supported by receipts, bills or commercial invoices of creditors. A summary of the nature of the expenses incurred may also be submitted as supporting paper to the voucher.

d. Reimbursement receipts (General Form No. 3 [A]) should be properly accomplished in every detail, giving the name of the creditor, address and residence certificate, if possible.

e. Purchase of supplies, materials and equipment should be supported by purchase or letter orders, report of canvass, evidence of delivery, waste material report, etc.

f. Equipment purchased, aside from being taken up in the accounts as fixed assets, should be covered by memorandum receipts signed by the users of the property.

g. The only item of expenditure which should be treated as strictly confidential because it falls under the category of classified information is that relating to purchase of information and payment of rewards. However, reasonable records should be maintained and kept for inspection of the Chairman,
Commission on Audit, or his duly authorized representative. All other expenditures are to be considered unclassified and supported by invoices, receipts and other documents, and therefore subject to reasonable inquiry by the Chairman or his duly authorized representative.

h. Credits to the accounts of the accountable officers are to be recorded in the books of accounts only on the basis of a credit advice issued by the Chairman of the Commission on Audit or his authorized representative.

i. In the case of government-owned or-controlled corporations, whenever their budgets do not provide for confidential/intelligence funds, no discretionary funds may be utilized for confidential or intelligence expenses unless upon approval by the Office of the President.

j. Allotments for maintenance and other operating expenses (MOE) of National Government agencies shall be utilized for confidential expenses only when there is a specific provisions for such expenses indicated in their approved budgets.

k. When the budget of the respective agencies does not provide for a confidential fund, MOE may be used for that purpose if approved by the President.

(COA Cir. 88-293, supra)

SECTION 400. Specific documentation and other requirements. — Every office or agency, whether in the national, corporate or local sector, whose budget provides for confidential and intelligence funds shall submit to the COA Chairman or his authorized representative with respect to those in the Metro Manila area, and to the COA Regional Directors under whose audit jurisdiction they fall, the following documents as well as comply with the requirements enumerated hereunder:

a. On or before the end of January of each year, whenever a new Disbursing Officer is appointed:

1. Approval of the Office of the President of the Work and Financial Plan indicating the purpose for which the confidential/intelligence fund shall be spent and the circumstances giving rise to the necessity for the expenditure and the specific objectives to be accomplished as well as the request for allocation or budget release of the intelligence and confidential funds.

2. Certified xerox copy of the designation of Special Disbursing Officers.

3. Certified xerox copy of the fidelity bond.

4. Specimen signatures of officials authorized to sign cash advances and liquidation vouchers.

b. Upon submission of liquidation vouchers:

1. Certified xerox copy of pre-audited cash advance vouchers.

2. Certified xerox copy of request for Obligation of Allotment (ROA)

3. Certified xerox copy of allotment advice
4. Undertaking on the summary of expenses — Form No. 1 (Appendix 6)

5. Certified xerox copy of:
   — Face of paid check
   — Reverse side of paid check indicating endorsement made
   — Itemized list of disbursements

c. These additional documents are required to support ordinary disbursements as indicated:

1. For incidental expenses incurred in connection with intelligence and confidential operations, such as transportation and entertainment of assets/informers, vouchers shall be supported by receipts, invoices, bill for board and lodging, itinerary of travel, travel order, certificate of travel completed, and certificate of appearance.

2. For purchase of supplies, materials and equipment, vouchers shall be supported by purchase/letter orders, report of canvass, delivery receipt, waste material report and other pertinent documents.

3. For purchase of information or payment of rewards, vouchers shall be supported by documents evidencing receipt of payment.

d. Every June 30 and December 31 of each year, an inventory of equipment purchased out of confidential and intelligence funds shall be submitted to the COA Chairman or his authorized representative. A copy of this inventory shall be furnished the Auditor (national, local and corporate) for purposes of recording the equipment in the books of accounts and the issuance of the corresponding memorandum receipt.

e. For national defense and related agencies engaged in highly confidential operations or missions the details of which cannot be divulged without posing a threat to national security, a certification by the head of agency bearing on the nature of such highly confidential operations may instead be submitted using Form No. 2 (Appendix 7). However, the agency concerned shall maintain a complete file of all supporting documents for such transaction to ensure the undertaking of a more extensive audit and examination by the Commission on Audit at anytime it deems desirable or when the operations are completed and declassified. Such file shall include, among others, the following data: name of asset or informer; nature and purpose of type of information; date and amount given; signature of payee and such other relevant information.

f. The agency or office shall submit a schedule of the rates of representation allowance for intelligence or confidential officers as determined by the head of agency or office concerned but in no case to exceed the amount as may be provided by law for each officer.

g. Government-owned and/or-controlled corporations shall submit their respective charters as well as resolutions pertinent to intelligence and confidential operations provided that those
government-owned or-controlled corporations whose budgets do not provide for confidential and intelligence funds shall not be allowed to utilize discretionary funds for this purpose unless upon prior approval by the President of the Philippines.

h. Every June 30 and December 31 of each year, all COA Regional Directors concerned shall submit a report to the COA Chairman or his authorized representative, summarizing the disbursements of intelligence and confidential funds by all agencies or offices of government (whether local, national or corporate) indicating the nature of confidential expenses incurred, the period covered, amounts and other pertinent data.

i. All documents required for submission shall be accompanied by transmittal letters to be signed by the head of the agency or office which shall enumerate therein the type or nature of document being submitted.

j. All COA Regional Directors and Auditors concerned shall strictly adhere to the audit procedures prescribed for the purpose.

k. The COA Chairman or his authorized representative shall at any time have access to the books of accounts of government agencies, entities or instrumentalities, including government-owned and/or-controlled corporations and their subsidiaries, and the local government units whose budgets provide for intelligence and confidential funds or national security funds for the purpose of reviewing the transactions of these agencies pertaining to such funds, and to ensure compliance with the requirements. He or his authorized representative may likewise direct the conduct of field examination or inspection of the said agencies or offices.

(COA Cir. 88-293, supra)

Chapter 19. Anti-Insurgency/Contingency/Emergency Expenses

SECTION 401. Expenses included. — Anti-insurgency/contingency/ emergency operations expenses shall be incurred in accordance with the following guidelines:

a. This account includes unforeseen expenditures arising from the occurrence of insurgency/natural calamities or financial dislocation on account thereof which are chargeable against the appropriation.

b. Purchases of supplies and materials shall be in accordance with the procurement requirement for "Supplies and Materials" particularly on emergency purchase.

c. Payment for services shall be in accordance with the regulations on "Personal Services" specifically for casuals and/or contractuals.

Chapter 20. Taxes and Other Duties

SECTION 402. Obligation for payment. — All units of government, including government-owned or-controlled corporations, shall pay income taxes, customs duties, and other taxes and fees as are
imposed under revenue laws: Provided, That organizations otherwise exempted by law from the payment of such taxes/duties may ask for a subsidy from the General Fund in the exact amount of taxes/duties due: Provided, further, That a procedure shall be established by the Secretary of the Budget, whereby such subsidies shall automatically be considered as both revenue and expenditure of the Fund.

Chapter 21. Trading/Production

SECTION 403. Direct material cost. — Direct material cost refers to all materials used in production which become part of the finished product, such as cement, sand, gravel, lumber, etc. It consists of the cost of materials purchased from suppliers or fabricated in the agency's shop. The cost of materials purchased shall, for practical purposes, be based on supplier's invoice cost, while those which are fabricated shall be based on the production cost.

Material cost should include the incidental expenses up to the time of delivery because if these were kept separate items charged to overhead expenses, there would be a problem in identifying and excluding expenses corresponding to the materials not utilized in the current period.

SECTION 404. Direct labor cost. — Direct labor cost is labor expended directly upon the materials comprising the completed project. Wages paid to skilled and unskilled workers alike that can be assigned to the completed project is termed "direct labor". Direct labor cost includes the salaries, wages and fringe benefits of agency employees directly assigned to the construction project. It does not include the salaries, wages and fringe benefits of employees engaged in the supervision or inspection of construction projects. These are indirect labor.

SECTION 405. Equipment usage cost. — Equipment usage cost is the proportionate share of the project in the cost of operation, maintenance and repair of equipment used and/or the amount paid as rental for use of equipment. The operating expenses shared by the project include salaries, wages and allowances of personnel assigned in the motorpool/area equipment service.

SECTION 406. Direct overhead cost. — Direct overhead cost refers to indirect materials, indirect labor and other costs incurred in the prosecution of the project but which do not directly affect the composition of the finished product.

a. Indirect materials are those used in the production but which do not become part of the finished product, or materials that become part of the finished product but the consumption of which is either so small or so complex that it would be impractical to treat them as direct materials. Examples are lumber used to construct temporary structure, gasoline, oil, grease, etc.

b. Indirect labor is labor expended directly on specific projects but which does not affect the form or composition of the finished product. Examples are salaries and wages of foremen, field security guards and watchmen, projects engineers/directors and the like.

c. Other expenses are rents, insurance, repairs, transportation and the like.
SECTION 407. Indirect overhead cost. — Indirect overhead cost refers to the proportionate share in the cost of operation and maintenance, including related personnel costs, of the administrative and engineering staff and other support service.

Chapter 22. Advertising and Publication Expenses

SECTION 408. General provisions. — Advertisements and publications must conform with the following rules:

a. Claims shall be supported by statement of account of the publishers and clippings of the advertisement and notices published.

b. The advertisement or publication must have a bearing on the official function of the agency and beneficial to public interest.

c. Expenses for advertisements of anniversaries, etc., in newspapers, TV, and radio merely for publicity or propaganda purposes are not allowed except when the nature of the agency's mission would require such expenses as in the case of promotion of trade and business.

d. Government corporations not performing governmental functions and engaged purely in private business may be allowed to publish special or supplemental numbers in certain cases.

e. All judicial notices, advertisements for public biddings, notices of auction sales and other similar notices or announcements required by law to be published in newspapers of general circulation in particular provinces and/or cities shall be published in newspapers or publication published, edited and printed in the same city and/or provinces where the requirement of general circulation applies, provided that in the event there are no newspapers published in the locality the same may be published and edited in the nearest city or province, provided, further, that no newspaper which has not been regularly published for at least five years before the date of publication of the notices of announcements which may be assigned to it shall be qualified to publish said notices.

f. The Clerk of Court, sheriff or official charged with the duty of causing the publication of the said notices or advertisements shall designate a regular working day and a definite time each week during which such notices may be distributed for publication to qualified newspapers distribution of which shall be done by lot; provided, that should the circumstances require that another day be set for the purpose, he shall notify in writing the editors and publishers concerned at least three days in advance of the designated date.

Chapter 23. Fidelity Bond and Insurance Premiums

SECTION 409. General provisions. — Fidelity bonds and insurance premiums are subject to these rules:

a. Employees accountable for funds/and or property in the amount of P2,000 or more shall be bonded with the Fidelity Fund of the Treasury of the Philippines. The Agency to which the insured officers pertains shall pay the whole premium on his bond. When an official is acting in a bonded
capacity for two or more government agencies the premiums on his bond shall be paid by the respective agencies in such proportion and in such manner as the COA Chairman shall determine. The schedule of bonds covering cash accountability is shown in Sec. 182(e). For property responsibility, the schedule is as follows:

Supplies and materials — 50% of their total value

Equipment — 30% of their total value provided that the resulting amount is increased by round figure to be divisible by exactly 100.

Accountable forms having face value — 5% of their total value provided that the resulting amount is increased to round figure to be divisible by exactly 100.

b. While the maximum bond is fixed at P3,750,000 no limitation is fixed for the maximum cash and property accountability.

c. The premium rate shall be 1/2 of 1% per annum, payable semi-annually in advance on the first day of January and July of each year.

d. When the bondable employees are relieved of their accountability, the cancellation of their bonds shall be effected immediately.

e. Payment of insurance premiums of government properties such as buildings, equipment, motor vehicles, etc. are charged to this account.

Chapter 24. Loss on Foreign Exchange

SECTION 410. Coverage. — Loss on foreign exchange is often incurred in these cases:

a. For foreign loan proceeds, the loss is the resulting difference when the prevailing exchange rate is lower than the fixed rate of exchange.

b. For remittances or repayments of foreign loans by the National Government, it is the resulting difference when the prevailing exchange rate is higher than the fixed rate of exchange.

Chapter 25. Commitment Fees/Charges

SECTION 411. Coverage. — Commitment fees include charges for the unavailed or unwithdrawn loans which were already committed by the creditor to the borrower and other loan-related charges such as bank charges, handling fees, management fees and front-end fees.

Chapter 26. Other Services

SECTION 412. Repairs and maintenance. — When, upon the purchase of the equipment, a contract of maintenance is entered into between the agency and the supplier, the following requirements should be observed:
a. A job order must be approved first before any repair of equipment is undertaken showing list of work to be done and spare parts to be replaced.

b. A certification of the Property Officer that the equipment belongs to or is used by the agency concerned and that the repair is necessary through normal wear and tear in the government service, not due to the fault or negligence of an official or employee.

c. A report of waste materials (GF Form No. 64-A) must accompany the claim where the repair involves replacement of parts.

d. A guaranty/warranty certificate of the repairer must be attached to the claim.

SECTION 413. Printing and binding. — The National Printing Office (NPO) shall have exclusive printing jurisdiction over the following:

a. Printing, binding and distribution of all standard and accountable forms of national provincial, city and municipal government, including government operations;

b. Printing of official ballots;

c. Printing of public documents such as the Official Gazette, General Appropriations Act, Philippine Reports

d. Development information materials of the Philippine Information Agency, etc.

The office may also accept other government printing jobs, including government publications, aside from those enumerated above, but not on an exclusive basis (Sec. 6, EO 285, July 25, 1987; COA Cir. 88-290, Sept. 5, 1988).

For accountable forms with money value and those being used on a nationwide basis which also fall within the exclusive printing jurisdiction of the National Printing Office but which are not printed by NPO, exemption from the operation of Executive Order 285 is to be secured from the President upon endorsement by the Office of the Press Secretary of a certification by NPO that printing said forms is not within its production capacity (NPO Memo Cir. 2-90, May 15, 1990).

Any requirement for printing services outside of the exclusive jurisdiction of the National Printing Office can be awarded by the requiring agency, subject to government accounting and auditing regulations, to any private printer or may be undertaken at the printing facilities of government agencies without the necessity of securing a waiver or certification covering the same from the National Printing Office (NPO Memo Cir. 2-90, supra).

SECTION 414. Subscription to periodicals and magazines. — Subscriptions and orders may be done under these rules:

a. The agency head or his authorized representative shall approve the subscription.
b. Library materials such as technical magazines, periodicals, documents and other reading matters may be ordered provided the funds are available therefor and that these are kept in the agency's library or research center for reference.

SECTION 415. Radiocast, telecast and documentary films. — The contracts for radiocast, TV and documentary films may be entered into using the following guidelines:

a. There shall be a contract between the agency and the radio or TV station specifying the conditions of the radiocast or telecast.

b. To obtain the most reasonable charge, rates of other radio and TV stations must be obtained for purposes of comparison.

c. Broadcasts, telecasts or documentary films must be for public interest, or for promotional activities of the government entity sponsoring the same (6th Ind., Off. of the Pres., June 3, 1959).

d. Service broadcast/telecast, if not prohibited as unnecessary expenses under COA Circular 85-55 A, shall be negotiated with a government-owned radio/television station whenever the same is available. Awarding such contract to a private contractor may only deprive the government of the much needed resources it badly needs (COA Gen. Counsel Ruling, 2nd Ind., Aug. 3, 1987).

SECTION 416. Legal expenses. — Legal expenses incurred by public officers and employees may be recovered under these rules:

a. Public officers and employees acting in good faith may be indemnified for legal expenses incurred in suits brought against them for acts committed in the performance of their official duties. Thus, in order that an officer or employee may be reimbursed for any amount spent in connection with his defense in suits filed against him, the offense with which he is charged must have a direct relation or connection with the discharge of his duties and in the absence of a causal relationship, he is not entitled to reimbursement.

Claims shall be supported by:

1. An application of the official or employee concerned giving facts of the offense he was charged with and approved by the proper Department Head concerned and passed upon by the COA Chairman.

2. Copies of decisions exonerating him from administrative or criminal liability.

3. Receipts of actual and related expenses incurred.


b. As a general rule, government officials and employees who are criminally prosecuted for acts committed in the performance of their duties may be allowed reimbursement of reasonable attorney's fees including the bail bond premiums incurred in connection with their defense, only upon their acquittal from such criminal cases.
However, government-owned and/or-controlled corporations, because of special powers vested in them, may during the pendency of the case against their employees, provide legal service and pay premiums for bonds filed to effect the temporary release of their employees prosecuted for acts committed in the performance of their duties.

c. For a government corporation to use its funds in employing counsel, paying costs, or otherwise rendering assistance in the prosecution or defense of action or other legal proceedings which do not affect its own right or privileges, is clearly a diversion of its funds to a purpose which is foreign to the objects of its creation, and is ultra vires. Some cases have suggested that the true test of the right of a political subdivision to reimburse an official for legal expenses in connection with the defense of a suit is whether the acts of the officer complained of relate to matters in which the public agency has an interest.

SECTION 417. Security and janitorial services. — The agencies may contract for security services and janitorial services with the private firms through public bidding or negotiation. In the evaluation of the firms' offers, the agencies shall look into the following:

a. Track record of the firms
b. Cost estimates
c. Wages in accordance with the labor laws
d. Cost of supplies and equipment to be used

The government agency or instrumentality entering into a janitorial/security and other forms of labor contract shall require the contractor in the same contract a bond equal to the cost of labor under contract on condition that the bond will answer for the wages due the employees should the contractor or sub-contractor, as the case may be, fail to pay the same (Art. 108, Labor Code).

SECTION 418. Meal and transportation allowance. — For overtime services rendered, these allowances are granted, subject to these rules:

a. Meal allowance in kind at P20.00 may be granted to officials and employees who have rendered at least three hours of overtime services before meal time. Availment of the allowance in kind shall constitute a bar from collecting the overtime compensation by the hour (MO 228, Off. of the Pres., Mar. 29, 1989).

b. In order to be entitled to meal allowance, the official or employee must render overtime as follows:

1. On regular days, when the employee is present during the whole working day and works overtime from 6:00 p.m. to 9:00 p.m., he is entitled to a meal allowance for supper. Another meal is allowed if overtime service extends beyond twelve midnight.

If the work extends beyond 10:00 p.m., a claim for transportation from office to home is allowed.
2. On Saturdays, Sundays, and legal holidays, employees doing overtime on non-working days are entitled to the following meal allowances:

— Lunch — overtime rendered from 9:00 a.m. to 12:00 noon and from 1:00 p.m. to 4:00 p.m.
— Supper — overtime rendered from 1:00 p.m. to beyond 8:00 p.m.
— Another meal is allowed if overtime service extends beyond 12:00 midnight.

c. Actual expense for ordinary transportation will also be allowed from home to office and vice versa on these days.

Title 7. PROPERTY

Chapter 1. Acquisition of Property

Article 1. Classification, Definition and Scope

SECTION 419. Classification of property. — Government properties are classified into three main groups, namely:

a. Inventories
b. Acquired Assets
c. Fixed Assets

SECTION 420. Inventories. — Inventories consist of all expendable commodities which are normally consumed within one year in connection with government operations or used in the process of manufacture or construction. Property with a unit value of P1,500 and less, used in government operations but not consumed in such operations, is also included under inventories (COA Cir. 86-200B, Jan. 3, 1986).

SECTION 421. Acquired assets. — Acquired assets consist of lands, buildings and structures, furniture and equipment, and other assets acquired or repossessed as a result of foreclosure of mortgage or non-payment of installments due, and intended for sale/disposition.

SECTION 422. Fixed assets. — Fixed assets consist of lands and land improvements, buildings and structures, furniture, fixtures, equipment and books, and work animals which are more or less permanent or capital in nature. They are long-term assets acquired by the government agency for use in its operations and not intended for resale.

SECTION 423. Ways of acquiring property. — The Government acquires supplies, materials, equipment, and other properties by any of the following ways:

a. procurement/purchase
b. construction
Article 2. General Policies on Procurement

SECTION 424. Annual procurement program. — In the national government agencies, an annual procurement program showing itemized quantity, description and estimated cost of supplies/materials/equipment required for a fiscal year shall be prepared by all agencies of the national government. Such program shall be made an integral part of supporting document of the agency's Work and Financial Plan required to be submitted to the Department of Budget and Management on or before the end of every November pursuant to NBC 415 dated January 19, 1990.

In the local government units, on or before the fifteenth (15) day of July each year, the local chief executive shall prepare an annual procurement program for the ensuing fiscal year which shall contain an itemized list of the estimated quantity of supplies needed for such year, a complete description thereof as to kind, quantity and quality, the estimated costs, and the balance 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. The local government units may augment the supplies and equipment provided by the Supreme Court to the lower courts located in their respective jurisdictions.

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.

The conversion of excess cash into supplies stock is prohibited except to the extent of the kind and quantity specified in its approved annual procurement plan (Sec. 373, RA 7160).

"Supplies", as herein used, include everything, except real estate, which may be needed in the transaction of public businesses, or in the pursuit of any undertaking, project, or activity, whether in 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. 357(c), RA 7160).

SECTION 425. Requirements of requisition in the local government units. —

a. Any order for supplies shall be filled by the provincial or city general services officer or the municipal or barangay treasurer concerned, as the case may be, for any office or department of a local government unit only upon written requisition (Sec. 358, RA 7160).
b. Requisitions shall be prepared 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. 359, RA 7160).

c. Every requisition must be accompanied by a certificate signed by the local budget officer, the local accountant and the local treasurer showing that an appropriation therefor exists, the estimated amount of such expenditure has been obligated, and the funds are available for the purpose, respectively (Sec. 360, RA 7160).

SECTION 426. Approval of requisition. — In the local government unit, approval of the requisitions by the head of office or department concerned who has administrative control of the appropriation against which the proposed expenditure is chargeable is deemed sufficient, except in case of requisitions for supplies to be carried in stock which shall be approved by the local chief executive 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 (Sec. 361, RA 7160).

SECTION 427. Requisitions during the last days of December. — Requisitions for supplies and materials drawn during the last days of December intended to be paid out of the unexpended balance of the appropriation for supplies and materials shall not be allowed. All balances of appropriations for the past calendar year shall be applied only to the payment of expenses properly incurred during that year or to the fulfillment of contracts in force properly executed for bona fide needs in the said calendar year when the contracts were made.

SECTION 428. Acquisition of property by procurement/purchase. — The bulk of supplies, materials and equipment in the government is acquired through purchase. In making purchases, the following regulations shall be observed:

a. Except as otherwise herein provided, procurement of supplies, materials and equipment by government agencies shall be through competitive public bidding (Sec. 1, EO 301 s. 1987).

b. All appropriations for the purchase of equipment, supplies and materials authorized in the General Appropriations Act shall be available only for locally manufactured equipment, parts, accessories, medicines and drugs, supplies and materials, except when none is available in the market or when the price of the locally manufactured article exceeds those determined by the Flag Law (Sec. 28, Bk VI, 1987 Adm. Code).

Preference shall also be given to the products manufactured by the Government and to the dormant supplies and equipment of the National Government.

c. Purchase of supplies and materials in excess of normal needs shall be avoided. As an aid to agency heads in the discharge of their property responsibilities and to reduce undue strains upon the
government's cash position occasioned by excessive stocking of supplies and materials, the following rules and regulations should be strictly enforced:

1. Except as otherwise provided in the General Appropriations Act, the stock on hand of supplies materials and equipment spare parts, acquired through ordinary and emergency purchase, shall at no time exceed the normal three-month requirements, subject to pertinent rules and regulations issued by competent authority: Provided, That department heads may approve the build-up of stocks on hand of critical supplies and materials in anticipation of cost increases or requirements of a national emergency, and specifying maximum quantities of individual items, but in no case shall these stocks exceed more than one year's supply, unless otherwise approved by the President (Sec. 77, Bk VI, 1987 Adm. Code).

2. Each requisition for any single commodity in excess of P1,000 in value shall be accompanied by a stock position sheet of the article being requisitioned, on the form shown in Appendix 8. This report shall be used by the agency officials who shall pass upon the requisition for determining the reasonableness of the quantity being requisitioned. In determining the quantitative reasonableness of the requisitions, all concerned shall see to it that the standard stock levels are not materially exceeded (COA Cir. 78-84, Aug. 1, 1978).

3. Three copies of the stock position sheet shall be prepared. The original shall go with the original requisition when it is submitted for processing and approval by agency officials. One copy shall be attached to the agency file of the requisition and the other, with a copy of the requisition, shall be sent promptly to the auditor concerned.

SECTION 429. Other modes of procurement. — Procurement of supplies may be made without the benefit of public bidding in the following modes:

a. Personal canvass of responsible merchants

b. Emergency purchase

c. Negotiated purchase

d. Direct purchase from licensed manufacturers

e. Purchase through the central procurement agency, the Procurement Service under the Department of Budget and Management

f. Purchase from other Philippine government agencies and foreign governments and

g. Purchase through repeat order.

Article 3. Purchase through Public Bidding

SECTION 430. Agency responsibilities. — The head of each agency shall be responsible for establishing and implementing procedures for:
a. obtaining bids prior to the award of contracts and purchase orders, subject to regulations currently in effect;

b. inspecting supplies, materials and equipment on arrival from the vendors to insure that they meet quality, quantity, price and other specifications defined in the contract or purchase order.

Each agency head shall publicize these procedures through the issuance of orders. They shall insure that the procedures promulgated afford adequate safeguards against irregularities of all types. The agency head shall provide three copies of each of these orders to the Commission on Audit, and shall additionally provide it with three copies of any subsequent order or regulation which amends, modifies, extends or rescinds the provisions of the original order in any way.

SECTION 431. Records of bids. — Each agency head shall establish and implement procedures for the orderly maintenance of correspondence relating to bids. This shall include the invitation to bid, the original documents of bids submitted, the notifications of the award and all other pertinent materials.

All correspondence related to each individual shall be filed together in a separate file. The collective files shall be stored in orderly sequence, under proper custody, and shall be referenced to the transactions to which they relate.

SECTION 432. The call for bids. — In the national government agencies as well as in the government-owned or-controlled corporations, the call for bids shall show, among other things, the descriptions/specifications of the supplies/materials/equipment being sought to be procured. It shall be so worded in the advertisements as to admit or include all makes and brands even if the supplies called for are exclusively sold or manufactured. Reference to a particular brand shall be avoided (Rule 7(g), DGS Order 13, Sept. 6, 1971).

When procurement is to be made by the local government units, the provincial or city general services officer or the municipal or barangay 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. 362, RA 7160).

SECTION 433. Publication of call for bids. — In the national government agencies, invitation to bid shall be given the widest publicity possible by a combination of several or all of the following:

a. Publication of invitation to bid. — a brief announcement of the proposed bidding or a copy of the invitation to bid shall be advertised in the newspapers of general circulation for three (3) consecutive days, the last publication of which shall be within 10 days before the opening of the bid.

b. Posting. — copies of invitation to bid shall be posted on the bulletin board of the Procurement Service, of the requisitioning agency and at other public and conspicuous places.
c. Mailing. — solicitation by mail shall be effected through the use of the bidders list which shall include the Philippine Chamber of Commerce, Philippine Chamber of Industries, and other trade and business organization.

d. Telegraph, radio or television. — when condition permit announcement of invitation to bid may be made by radio, telegraph, television, and other mass media.

e. Personal delivery. — invitation to bid may be delivered in person or through a messenger service.

(Rule 7(b), DGS Order 13, supra)

In the local government units, 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/municipal hall of the local government unit involved.

The notice of the bidding may be published in a newspaper of general circulation in the locality when the provincial or city general services officer or the municipal or barangay treasurer, as the case may be, deems it necessary, in order to obtain the lowest responsible and complying bid.

The opening of bids shall only be made in the presence of the unit auditor or his duly authorized representative who shall initial and secure copies of the bids and certify the abstract of the bidding (Sec. 363, RA 7160).

SECTION 434. Committee on bids and awards. — There shall be a Committee on Award to decide winning bids and question of awards on procurement and disposal of property.

The Bids and Awards Committee in the national government agencies shall be composed of at least three, a Chairman and two members who are regular employees of the agency. However, the buyer of the commodity concerned shall be a member of the Bids and Awards Committee. A secretary and a legal officer who may not vote may be added (Rule 10. Dept. Order 13, Dept. of General Services (DGS), Sept. 6, 1971).

The members of the committee shall be designated by the head of the agency.

In the local government units, the Committee on Bids and Awards shall be composed of the following:

a. Local chief executive Chairman
b. Local treasurer Member
c. Local accountant -do-
d. Local budget officer -do-
e. Local general services officer -do-
f. Head of the office or department for whose use the supplies are being procured — do-

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 sanggunian elected from among its members shall sit as a third member. The committee on awards at the barangay level shall be the sanggunian barangay. No national official shall sit as a member of the committee on awards (Sec. 364, RA 7160).

SECTION 435. Rule on awards. — In the national government agencies, contract shall be generally awarded to the most advantageous offer. The following factors, among others, shall be considered in making the award:

a. conformity with the specifications in the invitation to bid;

b. price quoted, considering the Flag Law, Commonwealth Act 138, as amended, and other laws and policies pertinent to procurement;

c. when time is of the essence, the bidder who offers to deliver within the period stipulated in the invitation to bid shall be awarded the contract, provided that the price is not unreasonably higher than the lowest price offered;

d. all other things being equal, the bidder shall be preferred, in order to obtain uniformity in quality, tensile strength, color shade, etc.; and

e. reliability of bidders as supplier or contractor.

Division of award may be made only in either of the following:

a. in case of tie offers and the supplies are divisible, the award may be divided as equally as practicable unless the interest of the service demands that it should be given to only one dealer; or

b. in case the lowest bidder offers to supply a limited or partial quantity only, in which agent the balance may be awarded to other acceptable bidders in the order of advantage of their offers.

(Rule 13 DGS Order 13, supra)

In the local government units, awards in the procurement of supplies shall be given to the lowest complying and responsible bid which meets all the terms and conditions of the contract or undertaking (Sec. 365, RA 7160).

SECTION 436. Examination of bids. — A representative of the COA Chairman shall be present at the opening of all bids and quotations in all cases of competitive public bidding conducted by the national,
provincial, city or municipal governments. His duties shall be confined strictly to: (a) secure and identify such papers and samples of the materials submitted by the bidders to ensure the proper safeguard of the interests of the government; and (b) obtain an authenticated copy of the abstract of bids and quotations (COA Cir. 78-87, Sept. 6. 1978).

Employees of the Commission on Audit shall not participate in any of the following functions:

a. Canvassing the market for quotations
b. Issuing invitations to bid
c. Examining bids before making the award
d. Awarding the contract
e. Any functions relating to the securing of bids or awarding of contracts, except only as provided in Sections 46 and 47 of Book V, Title I-B, of the 1987 Administrative Code.

However, the Commission on Audit shall examine an agency's files of bids and awards of contracts and orders, either in full or on a selective basis, as circumstances require. These examinations shall be made to determine that the agency's procedures are fundamentally sound, properly implemented, and the acquisition of supplies, materials, equipment and services is at the most advantageous prices and in a regular and business-like manner.

The agency head shall arrange for the conduct of reviews with similar objectives. A report shall be required for each review made, and the original signed report shall be held available for inspection by the Commission on Audit on demand (Gen. Cirs. 45 and 83, Memo Cirs. 322 & 324).

Article 4. Procurement through Personal Canvass

SECTION 437. Canvass and award. — In the local government units, upon approval by the Committee on Awards, procurement of supplies may be effected after personal canvass of at least three responsible suppliers in the locality by a committee of three composed of the local general services officer or municipal/barangay treasurer, as the case may be, the local accountant, and the head of the department or office for whose use the supplies are being procured (Sec. 367, RA 7160).

SECTION 438. Limitations. — In the local governments units, purchases under this section shall not exceed the amount specified hereunder for all items in any one month (Sec. 367, RA 7160):

a. Provinces, cities and municipalities within the Metropolitan Manila Area:

1st and 2nd class — One Hundred Fifty (P150,000)
3rd and 4th class — One Hundred Thousand Pesos (P100,000)
5th and 6th class — Fifty Thousand Pesos (P50,000)
b. Municipalities

1st class — Sixty Thousand Pesos (P60,000)

2nd and 3rd class — Forty Thousand Pesos (P40,000)

4th class and below — Twenty Thousand Pesos (P20,000)

Article 5. Emergency Purchase

SECTION 439. Conditions for an emergency purchase. — In the national and corporate government agencies, emergency purchases are allowed in cases where the need for supplies, materials, furniture, equipment or repair of an equipment is exceptionally urgent or absolutely indispensable to prevent immediate danger to, or loss of, life and/or property, or to avoid detriment to the public service. They should be based on a canvass of prices of at least three bona fide dealers (EO 302 s. 1940).

An emergency purchase shall be invariably supported by a certificate by the agency head or his duly authorized representative (a) as to the necessity/justification for said purchase and (b) that the price paid or contracted for is reasonable that it was the lowest obtainable at the time of the purchase or order (COA Cir. 78-84, Aug. 1, 1978).

The amount involved in an emergency purchase should not exceed the limitations provided for in the corresponding Annual Appropriations Act, board resolutions or regulations (COA Cir. 78-84, supra).

In the local governments units, this mode of purchase is resorted to where the need for the supplies is exceptionally urgent or absolutely indispensable and only to prevent imminent danger to, or loss of, life or property. Local government units may make emergency purchase or place repair orders without public bidding regardless of amount. Delivery of purchase orders or utilization of repair orders shall be made within ten (10) days after placement 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. A complete description of the supplies acquired or the work done or to be performed;

b. By whom furnished or executed;

c. Date of placing the order and the date, time of delivery or execution;

d. The unit price and the total amount contracted for;

e. A brief and concise explanation of the circumstances why procurement was of such urgency that the same cannot be done thru the regular course without involving danger to, or loss of, life or property;

f. A certification of the provincial or city general services or the municipal or barangay treasurer, as the case may be, to the effect that the price paid or contracted for was the lowest at the time of the procurement; and
g. A certification of the local budget officer as to the existence of the appropriations for the purpose, the local accountant as to the obligation of the amount involved, and the local treasurer as to the availability of funds (Sec. 368, RA. 7160).

SECTION 440. Limitations. — For local governments, the goods or services procured under the emergency purchase must be utilized or availed of within fifteen (15) days from the date of delivery or availability (Sec. 368, RA 7160).

Article 6. Negotiated Purchase

SECTION 441. Conditions for negotiated purchase. — Negotiated purchase is a system of purchase which dispenses with the stringent requirements of public bidding. Purchases through this mode may be allowed in the following cases (Sec. 1, EO 301 s. 1987).

a. Whenever the supplies are urgently needed to meet an emergency which may involve the loss of, or danger to life and/or property;

b. Whenever the supplies are to be used in connection with a project or activity which cannot be delayed without causing detriment to the public service;

c. Whenever the materials are sold by an exclusive distributor or manufacturer who does not have sub-dealers selling at lower prices and for which no suitable substitute can be obtained elsewhere at more advantageous terms to the government;

d. Whenever the supplies under procurement have been unsuccessfully placed on bid for at least two consecutive times, either due to lack of bidders or the offers received in each instance were exorbitant or non-conforming to specifications;

e. In cases where it is apparent that the requisition or the needed supplies through negotiated purchase is most advantageous to the government to be determined by the department head concerned;

f. Whenever the purchase is made from an agency of the government.

In the local government units, procurement of supplies by negotiated purchase may be undertaken in the following cases:

a. In cases where public biddings have failed for two (2) consecutive times and no suppliers have qualified to participate or win in the biddings, local government units may, through the local chief executive concerned, undertake the procurement of supplies by negotiated purchase, regardless of amount, without public bidding: Provided, however, that the contract covering the negotiated purchase shall be approved by the sanggunian concerned. Delivery of purchase orders or utilization of repair orders shall be made within seven (7) days after placement of the same. Immediately after the negotiated purchase or repair order is made, the local chief executive concerned shall draw a regular requisition to cover the same which shall contain the following:
1. A complete description of the supplies acquired or the work done or to be performed;
2. By whom furnished or executed,
3. Date of placing the order and the date and time of delivery or execution;
4. The unit price and the total contract price;
5. A certification of the provincial or city general services or the municipal or barangay treasurer, as the case may be, to the effect that the price paid or contracted for was the lowest at the time of procurement;
6. A certification to the effect that the price paid or contracted for was the lowest at the time of procurement; and
7. A certification of the local budget officer as to the existence of appropriations for the purpose, the local accountant as to the obligation of the amount involved, and the local treasurer as to the availability of funds.

b. In case of repeat orders for regular supplies, procurement may be made by negotiated purchase. Provided, that the repeat order is made within three (3) months from the last procurement of the same item: Provided, further, that the same terms and conditions of sale are obtained for the said repeat order (Sec. 369 RA 7160).

Article 7. Procurement from Duly Licensed Manufacturers and Exclusive Distributors

SECTION 442. Procurement from duly licensed manufacturers. — Procurement may be made directly 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 supplies desired (Sec. 370, RA 7160).

SECTION 443. Procurement from exclusive Philippine agents or distributors. — Procurement may, in the case of supplies of foreign origin, be made directly from the exclusive or reputable Philippine distributors or agents subject to the following conditions:

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

The foregoing transaction shall, however, be invariably supported by the following certificates:

a. A certificate executed by the supplier that he is the exclusive manufacturer or dealer of a specific supplies, duly attested by the foreign or local principal, and that there are no sub-dealers selling at lower prices;
b. a certificate by the requisitioning officer (approved by the agency head) that there are no suitable substitute of substantially the same quality are available for the supplies/materials/equipment which are exclusively manufactured or distributed.

(Sec. 371, RA 7160; Sec. 1-(c), EO 301, July 26, 1987); Rule 17 and 18, DGS Order 13, supra)

Article 8. Procurement through the Procurement Service

SECTION 444. Coverage. — With the abolition of the General Services Administration under Executive Order No. 285, dated July 27, 1987, the functions of the Supply Coordination Office have been transferred to the Procurement Service, under the Department of Budget and Management (DBM), with respect to:

a. Operation of a government-wide procurement system for common-use office supplies; and

b. Monitoring of prices for common-use supplies, materials and equipment.

Executive Order 359, dated June 2, 1989, prescribes the guidelines and procedures in the implementation of Executive Order No. 285 in the operation of a procurement system for common-use office supplies, materials and equipment. Section 3 of the Executive Order provides that all national government agencies, including state universities and colleges and government-owned or-controlled corporations and their subsidiaries, that require common-use supplies, materials and equipment are covered by the Executive Order. The central procurement system may be availed of by local government units on a voluntary basis.

Agencies are, however, allowed to procure directly for emergency needs whenever there is a significant delay in the delivery of urgently needed supplies by the Procurement Service, subject to existing accounting and auditing rules and regulations."

To carry out this mandate, the DBM shall establish regional depots as part of the regular organization structure of the Procurement Service from which government agencies may locally purchase their common-use supplies, materials and equipment requirements.

SECTION 445. Operating procedures of purchases through the Procurement Service. — The operating procedures of the procurement system which shall be prescribed by the Procurement Service shall cover, among others, the following:

a. Preparation and submission of the annual agency procurement programs for brand-new supplies, materials and equipment which are covered by the procurement system.

b. The appropriations for the annual procurement programs of agencies shall be identified in their annual Work and Financial Plan. This Plan shall serve as the basis of the DBM in the release of the agency’s quarterly allotments and monthly funding warrants.

The agencies shall remit in advance to the Procurement Service the funds needed to service their requirements for supplies, materials and equipment as reflected in said Work and Financial Plan.
c. Adoption of simplified bidding procedures as authorized under Item 12 of LOI 755 by a Procurement Service Bids and Awards Committee whose composition shall be determined by the Procurement Policy Board.

d. In the evaluation of supplies, materials and equipment, the applicable standards as to specifications and test methods of the Bureau of Product Standards shall be strictly followed; where otherwise not available, the appropriate international and/or trade standards, whichever is more beneficial to the government, shall apply. Evaluation of items which are highly technical in nature shall in all cases be attended by the technical experts of the end-user agency and representatives of professional associations under whose field of expertise the items may be covered.

e. The Procurement Service shall charge service fees not to exceed five percent (5%) of the value of supplies, materials and equipment procured and supplied to the agency concerned. This will cover its personnel services and other operations as may be authorized by the Procurement Policy Board pursuant to Section 33 of RA 6688 and Section 52 of PD 1177.

Article 9. Procurement from Other Philippine Government Agencies or Foreign Governments

SECTION 446. Purchase from other Philippine government agencies. — Procurement may be made direct from government entities producing supplies to fill the needs of the government (Sec. 372, RA 7160).

Thus, school desks and office furniture may be procured from government schools of arts and trades or vocational schools or the Bureau of Prisons.

For standard and accountable forms of national, provincial, city and municipal governments, including government corporations, the printing, binding and distribution thereof shall be undertaken by the National Printing Office (Sec. 6, EO 285 s. 1987).

SECTION 447. Purchase from foreign government entities. — Procurement of supplies may be made through foreign government entities with which the Philippines maintains diplomatic relations.

Purchases under this mode shall be made only upon prior authority from the Office of the President (Sec. 372, RA 7160).

Article 10. Purchase through Repeat Order

SECTION 448. Conditions for purchase through repeat order. — This is a procurement where an agency buys from the same supplier the same items at the same prices in addition to the quantity in the original contract subject to the following conditions:

a. The price must be the same as or lower than the original price.

b. The repeat order will not result in-splitting of requisitions or purchase orders.
c. Repeat orders may be availed of only within a six (6) months period from the date of the original purchase.

d. The repeat order should not exceed the quantity in the original order.

e. The total price of items covered by the repeat order should not exceed P50,000 except when the previous purchase was done through public bidding (COA Cir. 85-55(A) supra).

Article 11. Purchase with Specific Requirements

SECTION 449. Purchase of land. — Land purchased by agencies of the Government shall be evidenced by a Torrens Title drawn in the name of the Republic of the Philippines or such other document satisfactory to the President of the Philippines that the title is vested in the Government.

These titles and documents shall accompany the vouchers covering the purchase of land, after which they shall be forwarded to the Records Management and Archives Office.

SECTION 450. Purchase of clothing or wearing apparel. — Raincoats, caps, uniforms, and other articles of clothing for use of public officers and employees shall not be purchased unless specifically authorized by law.

In all cases where the law authorizes the furnishing of uniforms, this should be construed to include only regulation caps, pants and coats. Unless expressly authorized purchase of shoes as part of uniform at government expense will not be allowed.

SECTION 451. Purchase of motor vehicles. — Purchases of motor vehicles are subject to the following rules:

a. No appropriation for equipment authorized in the General Appropriations Act shall be used directly or indirectly for the purchase of automobiles, jeeps, jitneys, station wagons, motorcycles, trucks, launches, speed-boats, airplanes, helicopters and other types of motor transport equipment unless otherwise specifically authorized by the President (Sec. 75, Bk VI, 1987 Adm. Code).


c. Governors City and Municipal mayors are authorized to purchase transport and heavy equipment for their respective provinces, cities and municipalities, provided such purchases are to be paid from unencumbered local funds, subject to the following conditions:

1. For service vehicles for local government officials:

a. For use of provincial governors and mayors of highly urbanized cities. Any four-wheeled vehicle with four cylinders and with engine displacement of not more than 2000 cc., including such allowable
options as factory-installed air-conditioning magnesium alloy rims AM-FM radio stereo with tape player radial tires and seat covers;

b. For use of vice-governors and mayors of component cities and municipalities: Any four-wheeled vehicle with four cylinders and engine displacement of not more than 1600 cc., including such allowable options as factory installed air-conditioning, magnesium alloy rims, AM-FM radio-stereo with tape player, radial tires and seat covers;

c. For use of offices of department heads of provincial governments and highly-urbanized cities: Any four-wheeled vehicle with four cylinders and engine displacement of not more than 1400 cc., or any four-wheeled vehicle with four cylinders, locally fabricated chassis and body, and an engine displacement of not more than 1600 cc.;

2. For service vehicles for general urban use: Any four-wheeled vehicle with not more than four cylinders and with engine displacement of not more than 1400 cc., or less, including such allowable options as factory-installed air-conditioning, AM-FM radio, radial tires and seat covers or, any four-wheeled vehicle with locally-fabricated chassis and body, and with an engine displacement of not more than 1600 cc.;

3. For service vehicles for heavy field use: Any four-wheeled vehicle with not more than six cylinders and engine displacement of not more than 2600 cc. including such allowable options as factory-installed air-conditioning, AM-FM radio, radial tires and seat covers;

4. For service motorcycles: Any motorcycle with two-or four-stroke engine displacing 750 cc. or less, including such allowable options as sidecar, windscreen and saddle bags.

The price of the vehicle to be purchased shall not exceed that of the lowest priced model available at the maximum given specifications (MC 81, Office of the President, Oct. 21, 1988)

Article 12. Acquisition of Property by Construction Either by Administration or by Contract

SECTION 452. Classification of public works. — There are four classes of public works, namely: national, provincial, city and municipal public works. They have been so classified for the purpose of fixing responsibility for the construction, administration, operation, maintenance and/or improvement thereof.

a. National public works consist of the following:

1. National roads
2. National ports
3. National and military airports, and national emergency landing fields
4. Other public works
b. Provincial public works consist of the following:

1. Provincial roads
2. Provincial airports and landing fields
3. Other public works

c. Municipal public works consist of the following:

1. Municipal roads
2. Municipal ports
3. Municipal airports and landing fields
4. Other public works

(EO 180, Oct. 2, 1948)

SECTION 453. Preference given to Filipino contractors and domestic entities. — The preference given local contractors and entities shall be according to these rules:

a. All branches, offices and subdivisions of the government and all government-owned or-controlled companies, authorized to contract and make disbursements for the construction or repair of public works, shall give preference in awarding contracts for such works to Filipino contractors and domestic entities when the lowest bid of a domestic bidder is not more than fifteen per centum in excess of the lowest foreign bid: Provided, however, That for the construction of land, air and seacoast defenses, arsenals, barracks, depots, hangars, landing fields, quarters, hospitals, and all other buildings and structures required for national defense of the Philippines, no foreign bids shall be allowed (Sec 1, CA 541, as amended by RA 76).

b. The term "Filipino contractor" means any citizen of the Philippines habitually established in business and engaged in general construction work.

The term "domestic entity" means any corporate body or commercial company duly organized and registered under the laws of the Philippines seventy-five per centum of the capital of which is owned by citizens of the Philippines (Sec. 2, CA 541, as amended by RA 76).

SECTION 454. Use of Philippine-made materials or products in public works construction. — In construction or repair of work undertaken by the government, whether done directly or through contract-awards, Philippine-made materials and products shall be used, whenever available, practicable and usable, and will serve the purpose as equally as foreign-made products or work, upon the proper certification of the availability, practicability, usability of and durability of said materials or products by the Secretary of Public Works and Highways and/or his assistants (Sec 2, RA 912).

Article 13. Acquisition of Property by Production/Manufacture
SECTION 455. Products obtained from soil or animals. — Products are things obtained from the soil and animals. They include the natural and industrial fruits mentioned in Article 355 of the Civil Code.

Natural fruits are the spontaneous products of the soil, and the young and all other products of animals.

Industrial fruits are those produced by land of any kind by reason of cultivation or labor.

A bureau or office may acquire any or both of soil and animal products intentionally, as directed by law or regulations of competent authorities, or unintentionally, as resulting merely from the ownership of their sources, which are primarily intended for service and not for production.

SECTION 456. Soil products. — Where an agency is required by law or regulations to undertake farm or agricultural activities for local consumption or for the propagation of seeds, seedlings, plants, and trees it shall record on the Supplies Ledger Card, General Form No 48 (A), all kinds of products which are not perishable. They shall be recorded in quantities commonly used in commerce and at prices fixed by the chief of the bureau or office approved by the department head concerned or, in their absence, at the current market value. Perishable goods like fruits and vegetables shall be disposed of immediately after harvest or receipt by the property officer.

The officer or employee directly in charge of the project shall keep a daily record of all products raised and received, and disposed of showing:

a. Date
b. Name of product raised and received
c. Balance at the beginning of the day
d. Quantity of products raised and received
e. Quantity disposed of:
   1. Sent to the property clerk
   2. Sold locally under official receipt according to prescribed schedule.
   3. Deteriorated or condemned as unfit for consumption
   4. Locally used or consumed in case duly authorized
   5. Locally distributed free of charge according to authority
f. Balance at the end of the day

The officer or employee shall prepare in duplicate a monthly statement containing the above information, with his certificate that it is a correct report of all transactions during the month. He shall submit the original, together with the supporting documents, to the chief accountant for entry in the books of account to the office He shall keep the duplicate for file.
Products sent to the property clerk and those left in the hands of the officer in charge shall be recorded in their respective subsidiary ledgers.

The property officer is generally the custodian of all non-perishable products delivered to him by the officers or employees directly in charge of the activity or project. He shall issue a receipt in four copies signed by him and attested by the party making the delivery. The receipt must be an accountable form showing the date of receipt, from whom received, kind of products, description, quantity, and weight. The original and duplicate of the receipt shall be given to the officer or employee in charge of the project who shall give the duplicate to the accounting officer. The third copy shall accompany the property officer’s monthly report of accountability for products, to be submitted to the accounting officer. The fourth copy shall be retained for his file.

Only non-perishable products shall be invoiced to the property clerk except when otherwise specifically ordered by the chief of the bureau, in which case the perishable products so forwarded to the property clerk shall be treated as if they are non-perishable.

In case of soil products acquired by a bureau, incidentally arising from the ownership of the land essentially intended for service and not for production, the foregoing requirements may also apply. The products raised or harvested shall be generally listed on the Report of Waste Materials, General Form No. 64 (A), which, like all similar reports, shall be submitted to the Auditor or his representative for action.

SECTION 457. Animal products. — Animals are of two classes. They are the large cattle and all other animals. Like soil products, animal products are acquired by a bureau, intentionally or unintentionally.

A livestock ledger card (Appendix 9) shall be provided and kept for each large cattle, acquired by purchase or raised which attained the age of one year.

The back side of the card will be used to record the full description, history and the births of offsprings of the large cattle, consecutively numbered, showing the date of birth, sex, and date of transfer to the "adult" cards. For purposes of reference, each calf will be given a number, which is a, combination of its mother's brand number and its consecutive number in the family. Thus the first born calf from a cow with a brand of 15 will be No. 15-1, second calf born will be given No. 15-2 and so on. This number is only temporary, to be used in all reports and records affecting the calf until the calf is actually branded, and in which event the brand number will be its permanent number to be used in all records and records in substitution for the temporary number. The calf should be branded with the brand of the ranch as soon as it can withstand the process of branding. When the young animal is eliminated from the quarterly report and a livestock ledger card is made therefor, the said number will be used as its property number, the livestock ledger card will be filed in numerical order, as all animals, whether produced or purchased, will be branded with numbers in regular series beginning with No. 1 until 9999 is reached when a new serial numbering will be started again, as: A-1 to A-9999, B-1 to B-9999, etc. The ledger card of an animal that dies or is otherwise disposed of legally will be removed from the file and placed under "Special File" and labelled "Dead and Disposed of".
Exchange of livestock shall be properly recorded in the livestock ledger card. Except for the young of large cattle, which will be recorded on the back side of the ledger cards of their mothers, no ledger card will be carried for growing animals until they reach maturity due to continuous changes in their valuation. The report on General Form No. 41 (A), Property Inventory, is considered sufficient for that purpose. The increment value of large cattle will not be carded until the animal or animals concerned are eliminated from Quarterly Report increment values and transferred to the "Adult" cattle ledger cards.

Births of all kinds of animals shall be reported monthly and revaluation and increment report shall be made quarterly. Only the net value or difference between short and over should be taken into account in the revaluation of animals.

General Form No. 41 (A), Property Inventory, will be used for making reports of animals such as cows, horses, and carabaos born at the farm during the month and for revaluation of growing animals. Separate sheets will be used for those born during the period and for those whose values have been increased by reason of growth. The difference between the value shown in the previous report and the actual value in the new report of matured animals will be the "Increment Value" which shall be shown under the last column headed "over" by changing this word to read "Increment." This form will also be used for making reports of the births and "Increment Value" of other animals such as hogs and pigs, goats and fowl.

The officers or employees in charge of the poultry and livestock project shall keep and maintain a separate record book showing: date; kind and quantity of products raised or collected; kind and quantity of products disposed of; and nature of disposition.

SECTION 458. Supplies or articles manufactured. — All finished articles or supplies manufactured by a bureau or office will be reported immediately by the property clerk to the chief accountant at the end of the month. The report in two copies shall include:

a. Property number
b. Kind and description
c. Quantity
d. Cost of direct labor
e. Cost of materials
f. Total cost

The original, duly signed by the property clerk, shall be forwarded to the chief accountant for journalization.

Article 14. Acquisition of Supplies or Equipment by
Confiscation, Attachment or Seizure

SECTION 459. Confiscated, attached or seized goods. — All supplies or equipment confiscated by any bureau or office for violation of laws or regulations and the title to which has already been acquired by virtue of the decision of the courts or other competent authorities, are government property. The government agencies concerned shall submit to the COA Chairman a monthly report of all goods and properties acquired by them through confiscation, attachment forfeiture or donation. The report shall contain among others the following information:

a. Description of the goods or properties
b. Quantity
c. Estimated value
d. Date, place and mode of acquisition
e. Location or where stored.

Dispositions made during the month should also be indicated. The inventory report should be submitted within the first ten days of the following month (GAO M.C. 152 and 496).

SECTION 460. Issuance of receipt for seized or confiscated goods. — For the purpose of improving the accounting for confiscated or seized goods, all apprehending officers shall issue a receipt (Appendix 10) for each seizure or confiscation they make regardless of the articles or the amounts involved. The receipt will be accomplished in five (5) copies to be distributed as follows:

Original — to the owner of articles seized. In the absence of the owner, the original should be left or posted in the premises where the articles seized

Duplicate — to the head of the agency

Triplicate — to the COA Chairman or his representative

Quadruplicate — to the receiving officer (in charge of storage)

Quintuplicate — for file of the apprehending officer

The distribution of the copies shall be made within 24 hours after the seizure has been made.

SECTION 461. Recording to confiscated supplies or equipment. — A journal voucher shall be drawn to record the acquisition of the confiscated supplies or equipment. It shall be supported by a certified true copy of the decision and the itemized list of articles received and signed by the property clerk or other responsible employee having custody of them. If the value of the confiscated articles is not specified in the decision, the appraised value given by the Auditor shall be used.
SECTION 462. Acquisition of real property by confiscation. — Real property consisting of land or buildings or both, confiscated or forfeited for nonpayment of debts, taxes, etc., or bonds confiscated in criminal cases, shall be taken up in the books of the bureau or office concerned as soon as the title to it is vested in the government. A Real Property Card, General Form No. 61 (A), shall be prepared for each piece of real property confiscated. All pieces of real property shall be disposed of at public auction or private sale according to existing laws and regulations.

Article 15. Acquisition of Fixed Assets or Supplies by Transfer

SECTION 463. Acquisition of fixed assets by transfer. — Under Section 76 of PD 1445, property which are unserviceable or no longer needed by a bureau or office may be transferred without cost or at an appraised valuation to other branches of the Government upon authority of the respective heads of the Departments concerned.

The transfer shall be journalized in the month in which it is effected. The journal voucher of the bureau transferring or dropping the property from account shall be accompanied by originals of the papers containing the authority and the invoice receipt for property, General Form No 30 (A). The journal voucher of the bureau transferee taking up the property into account shall be supported by certified true copies of the papers covering the authority and the invoice-receipt for property.

SECTION 464. Transfer of supplies and materials. — Supplies and materials already charged to appropriation and listed on the Report of Waste Materials, General Form No. 64 (A), may be transferred without cost to another bureau or office in accordance with Section 76, PD 1145.

Supplies and materials carried in the account, Inventories — Supplies and Materials, 8-72-100, or Inventories — Items for Sale, 8-72-360, of a bureau cannot be transferred without cost, as such transfer, if allowed, should automatically increase the appropriation for consumption of supplies and materials of the bureau transferee for the given year which had been previously fixed by Congress (GAO Gen. Cir., 232, May 12, 1932).

Article 16. Inspection and Accomplishment of Inspection Reports

SECTION 465. Inspection of purchases. — Inspection and verification of purchases shall be done according to these rules:

a. Purchases made by the agency must be inspected and verified by their authorized inspector for conformity with specifications in the order. However, the chief of the Inspection Service or Section who is authorized by the head of the agency, bureau or office, may waive the inspection of purchases of insignificant value, provided he is fully convinced that the delivery in question is in accordance with the specifications of the order. The waiver of inspection must be stamped on the original copies of the order and invoice.
b. Evidence of inspection of deliveries of insignificant value for supplies and materials, must be shown by notation on the original copies of the order and invoice, thus:

Inspected by:

(signature)

___________

(Printed Name)

Date _______

c. All items to be inspected shall invariably be accepted first by the requisitioning or property officer.

d. Report of inspection of all consumables shall be submitted to the COA auditors within twenty four (24) hours (COA Cir. 89-299A, supra).

SECTION 466. Inspection reports by property inspectors. — Property Inspectors of the agencies shall promptly submit reports of all inspections finished during the day to their supervisors for evaluation and approval. The approved original copy of the report shall be attached to the voucher covering payment of delivery.

SECTION 467. Records of inspections. — All documents relating to the inspection and approval of supplies, materials and equipment received from suppliers will be collected together for the transaction to which they relate, and they will be attached to and become an integral part of the voucher prepared for payment. No voucher may be paid until the evidence of satisfactory inspection by the agency has been attached to that voucher Representatives of the Chairman, COA shall conduct surprise selective inspection of deliveries soon after their acceptance by the agencies.

Article 17. Articles Subject to Test

SECTION 468. Drugs, chemicals and medicines. — Utmost care and caution must be exercised at all times in the inspection of these items.

a. Medicines and pharmaceutical preparations. Their analyses must conform to their formulas.

b. Drugs, chemicals including disinfectants. Their analyses must conform to the USP, NF, BHF, or BFD requirements.

c. Insecticides, fungicides, etc.: Quality of these items can only be determined through laboratory analysis.

Quantity of sample required:

— Tablets 30 tablets
The sample must be taken at random and placed in a container free from contamination. It should be sealed with a strip of onion skin paper bearing the respective signatures or initials of the dealer, requisitioner, and inspector. It must indicate the order number, invoice number, requisition number and the description of the item to be tested.

The sample should be submitted to the Bureau to Food and Drugs for the required test.

SECTION 469. Paper and paper products. — Papers are manufactured from materials like wood, pulp, bagasse, etc., in combination with chemicals to make different kinds of paper. They differ in texture, finish, and thickness and their specifications are as varied as the purposes for which they are intended.

The usual specifications of paper are substance number or gram quality, size, color, finish, rag or silk content, bursting strength, thickness and other special features, as water markings.

When the order requires additional specifications like bursting strength, thickness, density, rag or silk content, aside from color, size and substance, a representative sample from five different reams of the delivery shall be taken for required test and analysis.

SECTION 470. G.I. sheets, pipes, reinforcing steel bars and other alloys. — When sample testing is required, the following facts are relevant:

a. G.I. sheets — This item covers galvanized iron sheet, zinc coated, classified into two types according to purpose Type A is used for permanent construction (more than five years) and Type B is used for non-permanent construction (less than five years).

For a given zinc coating (ordered coating weight) called for in the requisition, the weight coating shall conform to the requirement prescribed in Table I, but in no case shall ordered coating weight be less than 1.25 ounces per square foot.

<table>
<thead>
<tr>
<th>Order coating</th>
<th>Minimum</th>
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<tr>
<td>100 grams</td>
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<tr>
<td>100 cc.</td>
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<tr>
<td>50 grams</td>
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<td>5 capsules</td>
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weight or coating Practical
nominal coating by diagonal Minimum limits,
value appearing triple spot coating galvanized
on the sheet sheet by single sheet gauge

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<tbody>
<tr>
<td>2.75</td>
<td>2.35</td>
<td>2.00</td>
<td>Nos. 8 to 24</td>
<td></td>
</tr>
<tr>
<td>2.50</td>
<td>2.10</td>
<td>1.80</td>
<td>Nos. 8 to 26</td>
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<tr>
<td>2.25</td>
<td>1.85</td>
<td>1.60</td>
<td>Nos. 8 to 28</td>
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<td>2.00</td>
<td>1.65</td>
<td>1.40</td>
<td>Nos. 11 to 28</td>
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<tr>
<td>1.75</td>
<td>1.40</td>
<td>1.20</td>
<td>Nos. 14 to 28</td>
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<td>1.50</td>
<td>1.15</td>
<td>1.00</td>
<td>Nos. 16 to 30</td>
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<tr>
<td>1.25</td>
<td>0.90</td>
<td>0.80</td>
<td>Nos. 18 to 30</td>
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</table>

Table II. — Table of Zinc coating Tolerances

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<tr>
<td>2.75</td>
<td>2.40</td>
<td>2.30</td>
<td>2.20</td>
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<tr>
<td>2.50</td>
<td>1.95</td>
<td>1.80</td>
<td>1.75</td>
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<td>2.20</td>
<td>1.75</td>
<td>1.60</td>
<td>1.55</td>
<td>1.40</td>
</tr>
</tbody>
</table>
The steel sheet before it is coated with zinc is referred to as base metal. The base metal for the sheets shall be made by acid Bessemer or basic-open hearth process. The base metal of plain sheets shall be able to stand being bent cold through 180 degrees flat on itself without fracture.

Coating Bent Test for Plain Sheet specimens, 3 to 4 inches in width, shall stand being bent cold through 180 degrees without flaking of the coating on the specimens. The manner and method of carrying out this test shall be the prevailing practice and procedure of the Industrial Technology Development Institute (ITDI) and the Bureau of Research and Standards of the Department of Public Works and Highways (DPWH).

For the purpose of determining the uniformity of a given lot, three tests will be made. If the three tests fail the whole lot is rejected.

b. G.I. Pipes — These items are manufactured in accordance with ASTM specifications. The ITDI and the Bureau of Research and Standards of the DPWH have facilities to test these items. A length of one piece of sample must be submitted in accordance with the usual sampling requirements.

c. Reinforcing steel bars — Reinforcing bars of various sizes, forms and lengths are manufactured in accordance with ASTM and ASSHO specifications.

Samples to be tested and analyzed must be sent to the Bureau of Research and Standards of the DPWH.

The following method of sampling must be followed:

Take at least one (1) meter of sample from every ten (10) deliveries. The sample must be cut from the delivery. The request for test should have the following required data: Number of tons constituting the delivery, name of dealer or contractor, length of bars, and the name of the inspector present during the sampling, in addition to the usual sampling requirements.

d. Concrete blocks, wall boards, asbestos roofing materials — The ITDI and Bureau of Research and Standards require samples of at least 5 pieces for concrete blocks and 1 sheet for wall boards and roofing materials.

e. Alloys — The assay of these materials should be made through the facilities of the ITDI and the Metal Industry Research and Development Corporation (MIRDC). The request for analysis must state the kind of analysis desired. A portion of at least 2 inches cut from the delivery, properly identified, must be forwarded to the said testing agencies.
SECTION 471. Cereals and animal feeds. — Where testing is required, the officers concerned shall be guided accordingly.

a. Rice and Corn — The classification, verification and evaluation of deliveries of rice and corn are made at the laboratories at the Bureau of Animal Industry (BAI). Composite samples of at least 20 grams must be submitted in sealed and properly labelled containers.

b. Animal feeds — The Bureau of Animal Industry has formulated specific analysis for the feeds. Copra and fish meals are items ordered with specific analysis and must be tested to conform to specifications.

Samples of animal feeds may be analyzed at either the ITDI or at the Laboratory of the BAI.

A sample of at least 250 grams must be submitted. A small quantity of feed from every sack of the delivery will be sufficient sample. The samples are mixed thoroughly and divided into three equal parts. They are then placed into clean glass containers to insure against contamination. A strip of onion skin paper bearing the signatures or initials of the inspector, requisitioner and dealer, together with the number, requisition number, invoice number, must be pasted over each container.

A bottle of sample must be retained by the requisitioner, another bottle must be kept by the inspector for ready reference, and the last bottle of sample must be forwarded to the laboratory performing the test.

SECTION 472. Textile, flags and flag materials, canvass, gauge, bandages, etc. — Sample tests are done in the laboratories indicated for each group of items:

a. Textiles, including canvass, tracing cloth, etc. — A yard will be sufficient as sample. The ITDI or the Phil. Textile Research Institute (P TRI) has the necessary facilities to make the kind of test and analysis desired.

b. Flags and flag materials — Flags and their manufacturers are regulated by Executive Orders and previous approval of the Philippine Heraldry Committee must invariably be secured regarding design, color, materials, etc. However, actual testing and evaluation should be left to the ITDI and P TRI.

One flag or a piece from each item subject to test must be submitted as sample.

c. Gauze, bandages, absorbent cotton — These items are classified as hospital supplies but are included under the title of "Textiles". Their qualities are covered by USP specifications.

A roll of gauze, bandage or cotton should be submitted for analysis to the ITDI for the required test.

SECTION 473. Leather and leather goods. — Samples must be forwarded to the ITDI for the required test.

Unfinished product (Raw Materials) — 1 sq. ft.

Finished product — 1 piece of each item requiring test.
SECTION 474. Soap and soap products. — Samples of soap must be sent to the ITDI. A cake or pint, in case of liquid soap, will serve as sample.

SECTION 475. Paint and paint materials. — Samples for test should be sent to the ITDI.

Quantity of sample that should be submitted for examination shall be as required hereunder for each classification:

a. Ready-mixed paints, enamel lacquers and other fluid paints 1 gallon or at least 1 quart.

b. Paint paste, powder water paints and dry pigments 1 keg or at least 5 lbs.

c. Drying oils, etc 1 gallon or at least 1/2 gallon

SECTION 476. Wires, telephones, electric steel cables, etc. — Wires are manufactured from steel, copper, silver, etc. for varied purposes. They may be ordered from manufacturers to fill specific requirements; hence, request for test must be based on such specifications.

The facilities of the ITDI or MIRDC must be sought if the test desired includes a series of requirements. Sample to be submitted must be at least 30 feet.

SECTION 477. Canned goods. — Large quantities of canned foods are ordered for hospitals and public welfare institutions and tests must be made in order to protect the public against food poisoning.

Samples should be submitted to the Bureau of Food and Drug (BFD) for the required analysis.

SECTION 478. Inks and adhesives. — Inks and adhesives for various purposes are sold in the market under different brands. Inks include stamping, stencil, writing, etc. Adhesives include mucilages, office paste, etc. Samples must be submitted to the ITDI for analysis and certification.

Quantity of sample required:
a. Writing Ink 1/2 pint

b. Stamping Ink 1/2 pint and one new stamping pad

c. Mimeograph Ink 1 lb. and one ream of mimeograph paper long size

d. Mucilages, office paste, etc. 1/2 pound

SECTION 479. Lubricating oil, fuel oil, grease, etc. — The quality of lubricating oils has been standardized under SAE (Society of American Engineers) requirements. SAE-30, 40, 50 etc., are classifications of lubricating oils for different types of engines.

Quantities of sample required for testing are listed hereunder for each item:

a. Lubricating oils 1 liter

b. Grease 1 pound

c. Fuel oil (bunker, diesel, etc.) 1 gallon

Samples for analysis should be sent to the ITDI.

SECTION 480. Asphalt and asphaltum products. — DPWH specifications cover these materials. Samples for analysis should be sent to the Bureau of Research and Standards, DPWH.

Quantity of sample required for each item is indicated hereunder:

a. Rock asphalt 1 drum

b. Asphaltum emulsion 1 gallon

Section 481. Authorized laboratories. — Articles subject to test shall be sent to any of the following laboratories, whichever is appropriate for the required test, analysis, and certification for compliance with specifications:
a. Research and Development Center — AFP
   1. Ordinance and chemicals
   2. Quartermaster
   3. Special projects
b. Bureau of Food and Drug (BFD, formerly FDA)
   1. Food
   2. Drugs and medicines
   3. Cosmetics
c. Bureau of Research and Standards — DPWH
   1. Construction materials
d. Industrial Technology Development Institute (ITDI)
   1. Office supplies
   2. Industrial products
e. Metals Industry Research and Development Center (MIRDC)
   1. Metal products
f. Bureau of Soils and Water Management
   1. Fertilizers
g. Bureau of Animal Industry (BAI)
   1. Animal Feeds
   2. Veterinary products
h. Forest Management Bureau (FMB), DENR
   1. Wood and wood products
i. Philippine Textile Research Institute (P TRI)
   1. Textiles
All charges and fees for the test and analysis on delivery samples shall be charged to or paid by the procuring agency, said payment to be made available from the funds for consumption of supplies and materials, or from other funds available at the agency concerned.

SECTION 482. Acceptance and rejection of deliveries. — Results of sample tests decide the appropriate action to be taken on supplies and materials delivered.

a. Supplies and materials tested and found to be in accordance with existing specifications may be accepted and paid in full.

b. Supplies and materials whose quality analysis shows a deficiency of less than 10 per cent may be accepted, provided they will serve the purpose for which they were purchased, the defect is minor and the contract price is reduced according to the deficiency found.

c. Supplies and materials whose analysis shows a deficiency of 10 per cent and over must be totally rejected and replacement thereof must be demanded.

d. Supplies and materials whose quantity is short by volume, weight, actual count, etc., shall be subject to reduction in contract cost at an amount equivalent to the shortage, provided said deliveries are acceptable to management. Items damaged and incorrectly marked shall also be subject to deduction in cost.

(GAO MC. 345)

SECTION 483. Waiver of test. — The authorized inspector may waive the test analysis of purchases subject to test under the following conditions:

a. When the specifications of the order do not need actual testing because they can be determined or calculated.

b. When the specifications of the lot or item under current order are the same as of those previously tested in designated testing centers provided the supplier of the lot under current order is the same supplier of the previous delivery/order. The previous laboratory report shall be valid for six (6) months from date of test.

c. Products of government-owned or-controlled corporations, schools and other government institutions in their original containers, sealed and properly labeled.

(GAO M.C.. 345)

Article 19. Sampling of Articles Subject to Test

SECTION 484. Procedures in the sampling of articles subject test. — To insure prompt and speedy sampling of articles subject to test, the following procedures should be observed:

a. Immediately upon completion of inspection of deliveries subject to test, the property inspector should accomplish the Certificate of Sampling (Appendix 11) at the back of the inspection report. The
requisitioner agency should request the presence of the dealer or his authorized representative during the sampling. If the dealer fails to be present, the Property Inspector should forward to proper authorities the inspection report with notation to that effect.

b. The property inspector may proceed with the sampling if authorized, by the dealer, but no voucher covering 80 percent of the purchase value of the articles subject to test should be released unless accompanied by a certificate signed by the dealer or his authorized representative waiving his right to be present in the sampling.

c. The duplicate of the certificate of waiver secured from the dealer shall be sent to the Commission on Audit for record and file purposes.

d. Where the delivery is subject to analysis, and sample is to be taken, the dealer or his authorized representative must also sign the certificate Where the dealer waives his right to be present in the sampling of a particular delivery or of all his deliveries subject to analysis, he shall prepare a written statement to that effect to be attached to the report of inspection. The Property Inspector shall not submit any sample for analysis without a properly accomplished certificate of sampling.

e. Where the official sample submitted with the bid is attached to the buyer’s order, letter order, etc. a certificate to that effect should be secured and signed by the dealer or his representative and by the property inspector. Said certificate, together with the official bid sample, shall be delivered immediately to the authorities concerned by the property inspector himself. This requirement shall also apply where the bid sample has been forwarded direct to the requisitioner. In either case, diligent care must be taken to insure that the official bid sample will not be tampered nor substituted.

f. All official samples submitted with the bids shall be taken by the property inspectors. If the official bid sample is subject to analysis, the same shall be sent to any of the laboratories mentioned in Section 481 of this Manual, within 24 hours from receipt by the property inspector. If no analysis is necessary, he shall compare the actual deliveries with them.

No request for inspection of delivery shall be entertained unless the dealer has submitted enough bid samples of the articles delivered.

g. All official bid samples put up in containers must be properly labeled so that they can be identified easily. They must be sealed with strips of onion skin paper bearing the signature of the buyer or of the person in charge and that of the property inspector, and securely pasted along all the orifices of the containers.

Article 20. Miscellaneous Provisions in the Acquisition of Property

SECTION 485. Acquisition of textbooks for rent and for sale. — All textbooks purchased by the agency for rent or for sale to pupils and students of public schools pursuant to law shall be taken up in the inventory account, 8-72-900 — Inventories — Miscellaneous.
SECTION 486. Control of imported tax-free equipment and supplies.—The following instructions are prescribed to forestall any possible attempt to channel imported tax-free equipment and supplies to private parties or unauthorized persons and to prevent their regular use or requisitioning:

a. Crated equipment and supplies shall be opened upon delivery in the presence of the Auditor concerned or his duly authorized representative, who shall make simultaneous inspection thereof, in accordance with the packing list in each crate, the factory and consular invoices, if any, and other pertinent papers covering the importation.

b. The Auditor, within one month from the date of delivery and inspection, shall prepare a report on the manner the equipment or supplies were used, whether put in stock, installed or shipped out for use of a branch, unit, office, or project of the recipient bureau or office.

c. Spare parts, imported tax free and stored in the Spare Parts Depot of the Department of Public Works and Highways, requisitioned by private contractors renting government equipment, Project Engineers or District Engineers, shall invariably be presented for inspection to the auditor or his duly authorized representative upon receipt thereof by the requisitioners.

d. As soon as the repairs have been finished, the repaired machinery or equipment shall also be presented to the Auditor for his inspection to ascertain that the spare parts were actually installed therein in accordance with the purpose of the requisition. The replaced parts shall be listed in the Reports of Waste Materials, which shall be submitted to the Auditor for authentication before they are submitted for appropriate action to the office concerned.

Chapter 2. Custodianship of Property

SECTION 487. Persons primarily and secondarily accountable for government property.—

National Government/Government-owned or-Controlled Corporations

a. The agency head of the government is immediately and primarily responsible for all government funds and property pertaining to his agency; and.

b. Persons entrusted with the possession or custody of the funds or property under the agency head shall be immediately responsible to him without prejudice to the liability of either party to the government (Sec. 102, PD 1445; Sec 51, Sub-Title B, Bk V, 1987 Adm. Code).

Local Government Units

a. Each head of department or office of a province, city, municipality or barangay 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.
b. The head of a 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 reports as may be necessary for his own information and protection.

c. Buildings and other physical structures shall be under the accountability and responsibility of the provincial or city general services officer or the municipal mayor or punong barangay, as the case may be.

d. Every officer primarily accountable for government property shall keep a complete record of all properties under his charge and render his accounts therefor semiannually to the provincial or city general services officer or the municipal mayor or punong barangay, as the case may be (Sec. 375, RA 7160).

SECTION 488. Accountable officer: bond requirement. — Custody or possession is the basis of accountability:

a. Every officer of any government agency whose duties permit or require the possession or custody of government property shall be accountable therefor and for the safekeeping thereof in conformity with law.

b. Every accountable officer shall be properly bonded in accordance with law.

(Sec. 101, PD 1445)

SECTION 489. Insurance of property. — All heads of departments, commissions, boards, bureaus, offices of the national and local governments concerned except municipal governments below first class, government-owned and/or-controlled corporations, subsidiaries and acquired asset corporations shall secure from the General Insurance Fund directly all insurances or bonds covering properties, contracts, rights of action and other insurable risks of their respective offices, including all those in which their respective offices have an insurable risk and all those in which they have an insurable interest only. For this purpose, no insurance agent or general agent shall hereafter be appoint or maintained to represent the General Insurance Fund and/or the Government Service Insurance System.

A municipal government below first class may, upon application, insure its properties in the Fund under such rules and regulations as the System may prescribe (Sec. 4 & 5, RA 656).

As used in this section, “insurable interest” means every interest in property, whether real or personal, or any relation thereto, or liability in respect thereof, of such nature that a contemplated peril might directly damnify the insured. Accordingly; the insurable interest of government parent, subsidiary and acquired asset corporations, including government financial institutions, as these corporations are in Presidential Decree No. 2029, shall extend to their physical assets which by declared policy of the government are required to be privatized.

The officials mentioned above shall submit their respective inventories of property every end of the fiscal year to the Commission on Audit, furnishing the GSIS with a copy of said inventory for appraisal of
the amount of the premium to be paid for the insurance of the property reported (AO 33, Aug. 27, 1987).

SECTION 490. Inventories of supplies, materials and equipment. — Physical stock-taking is an indispensable procedure for checking the integrity of property custodianship. In all cases, the physical inventory-taking which is required semi-annually or annually should be regarded with importance.

For effective control of government property, the COA prescribes the following regulations:

a. Chiefs of agencies are required to take a physical inventory of all the equipment and supplies belonging to their respective offices at least once a year, unless otherwise determined by the COA Chairman in specific cases. Such inventory shall be made as of December 31 on General Form 41 (A) (Appendix 12), and submitted to the Auditor not later than January 31 of each year, unless extended by the Chairman, Commission on Audit, upon prior request of the chief of agency concerned. When the exigencies of the service permit, the taking of inventory should be in the charge of a committee of two or more employees designated by the chief of agency, including the property officer or custodian, depending on the extent of property accountability in a particular agency, to be witnessed by a representative of the Agency Auditor.

In case of the regional offices, their equipment and supplies shall be inventoried by a committee composed of their respective administrative officers and property officers or custodians, to be witnessed by a representative of the Auditor concerned who will attest the inventory report, as certified correct by the members of the committee and approved by the director of the regional office concerned. The inventory report shall be submitted to the chief of agency for consolidation with the inventory of the main office.

b. Aside from this annual physical inventory to be taken, the chief of agency shall also direct a running or test inventory at any other time during the fiscal year for the purpose of ascertaining the correctness of the property records and determining any possible losses occasioned by fire, theft or other casualty, or incident to transfer of office quarters, without the intervention of the representative of the Commission on Audit. Any discrepancies or losses that may be disclosed thereby should be reported to the COA Chairman for appropriate action in accordance with Section 73, PD 1445.

c. Inventory of goods and/or supplies and materials, including medicines, drugs, and medical supplies in stock, exclusively for either commissary, sale, manufacture or relief purposes shall be taken at least every six months, as of June 30 and December 31 of each year, in the same manner as earlier outlined in this section to be reported on appropriate forms applicable to each type of property involved.

d. In the event of transfer of property from one accountable officer to another, as in the case of either the chief of agency or property officer or custodian concerned, an inventory thereof shall be taken jointly by the outgoing and incoming officers, and a receipt therefor accomplished by both on the basis of such inventory. No officer accountable for public property who is transferred, resigned, retired or detailed abroad for more than six months shall be relieved and cleared from accountability by the
agency official concerned except upon presentation of an absolute receipt from his successor covering the full value of the property claimed to have been transferred.

e. The required annual/semi-annual inventory shall be certified correct by the committee in charge thereof, attested by the representative of the auditor concerned and approved by the chief of agency in interest.

If for any reason the above rules and regulations cannot be complied with, agency auditors should inform the COA Chairman promptly so that appropriate steps may be taken in this regard (Gen. Cir. 55 and 57).

SECTION 491. Brief outline of inventory-taking. — Accurate inventories require a methodical system, as hereunder outlined:

a. Definite plans should be developed concerning:
   1. the date of physical inventory
   2. who is to supervise the count
   3. the personnel to act as counters and checkers
   4. sequence of the counting

b. Set of written instructions should be prepared to be observed by each person connected with the taking of the inventory.

c. Inventories should be arranged for efficient and fast work.

d. Inventory tags should be serially prenumbered and prepared in duplicate with a perforation separating the top and bottom portions of the tag.

e. The inventory crew should:
   1. Count, weigh or measure the objects of inventory;
   2. Write the name of the inventory item, its code number, its location, the item count or weight or measurement on the tag, and
   3. Sign the tag and attach it to the goods.

f. A second crew may check the first count or the original tags may not be placed with the goods, and the second crew may again count and independently record the count.

g. In the meantime, inventory sheets should be prepared so that the data on the tags may be transferred, priced, extended, and totalled.
h. Upon completion of the process of taking the inventory, the original tags, or the half portion thereof below the perforation, or the count tags of the second crew, should be taken from the inventory items, collected and turned over to the person in charge of the inventory procedures for transfer to the inventory summary sheets.

i. A grand summary of all the inventory sheets shall then be prepared.

The duplicates or the top portions of the tags may be left attached to the goods until the inventory summary is completed or until such time as the person in charge is certain that there is no further need to recheck any item. Original tags should be retained together with the summary sheets until the auditor has completed his verification of the inventory.

There are many variations of the procedure just described, all of which are equally effective. For example, instead of using a tag system, inventory sheets may be prepared by departments. One person may call the items, codes, description and Count, while a second person records the data. For the purpose of this manual, however, the tag system shall be used.

The following points must be kept in mind while the inventory is being conducted:

a. Withdrawals from and additions to inventory must be recorded on the count tags or sheets during the time of taking the inventory.

b. All discrepancies between physical and book inventories must be investigated and cleared immediately. If necessary, written explanations shall be required from persons responsible.

c. Proper cut-off must be determined

SECTION 492. Issues of equipment to officers and employees. — Equipment issued by the property officer for official use of officials and employees shall be covered by Memorandum Receipt for Equipment (MR) which shall be renewed every January of the third year after issue. MRs not renewed after three years shall not be considered in making physical count of the equipment.

SECTION 493. Care in the use of equipment. — Due care shall be exercised in the use of equipment, otherwise, they will deteriorate rapidly. They will accumulate dust, become rusty, and parts will rapidly tear out unless properly oiled and covered when not in actual use.

If an equipment is used by several persons, the Chief of Division shall designate one of them to be responsible for its proper care and upkeep.

"Due care" means that amount of care and attention which an official or employee would reasonably give to his private property, considering all the attending circumstances.

In the local government units, the person in actual physical possession of government property or entrusted with its custody and control shall be responsible for its proper use and care and shall exercise due diligence in the utilization and safekeeping thereof (Sec. 376, RA 7160).
SECTION 494. Responsibility for government property. — Every officer accountable for government property shall be liable for its money value in case of improper or unauthorized use or misapplication thereof, by himself or by any person for whose acts he may be responsible. He shall likewise be liable for all losses, damage or deterioration occasioned by negligence in the keeping or use of the property, whether or not it be at the time in his actual custody (Sec. 105, PD 1445).

In the local government units:

a. The person immediately accountable for government property shall be liable for its money value in case of the illegal, improper or unauthorized use 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 proved that he has exercised due diligence and care in the utilization and safekeeping thereof.

b. Unless he registers his objection in writing, an accountable person shall not 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.

c. 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. 377, RA 7160).

SECTION 495. Return of equipment issued. — When the equipment issued to an officer and employee is no longer needed by him, said equipment shall be returned to the property clerk. Upon receipt of the returned equipment the property clerk shall surrender to the officer or employee concerned the corresponding original of the Memorandum Receipt, General Form 32 (A).

SECTION 496. Return of unused supplies and scrap materials no longer needed by requisitioners. — Unused supplies previously issued from stock when no longer needed for further official use because of the completion of the work, project, or otherwise shall be returned to the property clerk who shall acknowledge receipt thereof on a Requisition and Issue Voucher plainly marked "Returned to Stock". The original shall be attached to the journal voucher adjusting the previous credit to the stock account.

Scrap materials which may still be used in the future shall also be returned to the property clerk on a Requisition and Issue Voucher plainly marked "Scrap materials returned to property clerk". The duplicate shall be returned to the requisitioner concerned and the original shall be attached to the journal voucher taking up the scrap materials at the appraised value to be determined jointly by the agency officials concerned.

SECTION 497. Repairs of equipment damaged by accident or negligence of employees. — Government equipment which becomes unserviceable through causes other than fair wear and tear, for instance, by accident or negligence of employees shall be promptly reported to the Auditor with the recommendation of the Chief of the Bureau or Office concerned as to the responsibility therefor and
action to be taken. The equipment may at once be restored to its normal state of efficiency by making repairs while the matter of fixing the responsibility is being determined.

Upon receipt of the report of the bureau or office concerned, the auditor will cause an investigation, and prepare a report. All papers pertinent to such investigations may be, forwarded to the head of the agency/office concerned with the auditor's recommendation as to the responsibility and action to be taken.

SECTION 498. Credit for loss occurring in transit or due to casualty or force majeure. — When a loss of government property occurs while they are in transit or the loss is caused by fire, theft, or other casualty or force majeure, the officer accountable therefor or having custody thereof shall immediately notify the Commission or the auditor concerned and, within thirty days or such longer period as the Commission or auditor may in the particular case allow, shall present his application for relief, with the available supporting evidence. Whenever warranted by the evidence, credit for the loss shall be allowed. An officer who fails to comply with this requirement shall not be relieved of liability or allowed credit for any loss in the settlement of his accounts (Sec. 73, PD 1445).

In the local government units, a provincial, city or municipal auditor shall not allow credit for these losses unless so expressly authorized by the Chairman of the Commission on Audit, to be exercised only if the loss is not in excess of fifty thousand pesos (P50,000). In any case when the allowance of credit is not within the competence of the provincial, city or municipal auditor, the application and evidence, with the recommendation of the auditor concerned, shall be forwarded to the Chairman of the Commission on Audit for his appropriate action (Sec. 378, RA 7160).

SECTION 499. Request for relief from accountability for losses of property. — The request for relief shall be supported by the following documents whichever are applicable:

a. Affidavit executed by the accountable officer stating the following facts:

1. Property lost and its valuation;
2. Actual date in which the absence was first noted;
3. Manner of disappearance;
4. Efforts put forth to recover the same;
5. Provisions made to safeguard the property; and
6. Date when the loss was reported to the auditor and the police authorities;

b. Joint Affidavit of two (2) disinterested persons cognizant of the facts and circumstances about the loss. In case it is not possible to obtain the statement of two disinterested persons and only one is available, or none at all, such fact should be set forth in the affidavit of the person requesting relief, giving the reasons therefor;
c. Final Police Report showing the steps taken by the police authorities to recover the property lost and to apprehend the suspect(s) and the present status of the case;

d. Comments and/or recommendation of the agency head;

e. Comments and/or recommendation of the auditor as a result of the investigation and evaluation of the causes of the loss and the evidences submitted, which shall be listed in his indorsement, taking into consideration the degree of diligence exercised by the accountable officer in the safekeeping of government property under his custody so that negligence on the part of the accountable officer is not an attributable factor to the causes of loss;

For negligence to exist, there must be an omission to do something which a reasonable man, guided by consideration which ordinarily regulates the conduct of human affairs, would do;

f. Certification from Police/Fire Chief/Provincial Governor /Mayor or other competent authority as to the destruction brought by natural calamity and/or insurgency;

h. Evidence of the immediate issuance of the notice of loss of accountable forms as required under COA Circular No. 84-233 dated August 2, 1984;

i. Report on Cash Examination conducted immediately after the loss (For cash losses).

j. Copy of Memorandum Receipt(s) for property losses.

k. Certificate by the veterinarian as to the cause of death with a description of the animal, if the property is a government animal under the care of a veterinarian

SECTION 500. Repairs to be done by the Department of Public Works and Highways. — All mechanical and electrical repairs, maintenance, alterations, improvements and additional installations in National Government buildings and premises shall be undertaken by the Department of Public Works and Highways, whenever possible. The costs shall be charged against the repairs and maintenance fund.

Chapter 3. Disposal/Divestment of Property

SECTION 501. Authority or responsibility for property disposal/divestment. — The full and sole authority and responsibility for the divestment or disposal of property and other assets owned by the national government agencies or instrumentalities, local government units and government-owned and/or-controlled corporations and their subsidiaries shall be lodged in the heads of the departments, bureaus and offices of the national government, the local government units and the governing bodies or managing heads of government-owned or controlled corporations and their subsidiaries conformably to their respective corporate charters or articles of incorporation, who shall constitute the appropriate committee or body to undertake the same (COA Cir. 89-296, Jan. 27, 1989).
SECTION 502. Destruction or sale of unserviceable property. — When government property has become unserviceable for any cause, or is no longer needed, it shall, upon application of the officer accountable therefor, be inspected by the head of the agency or his duly authorized representative in the presence of the auditor concerned and, if found valueless or unsalable, it may be destroyed in their presence. If found to be valuable, it may be sold at public auction to the highest bidder under the supervision of the proper committee on award or similar body in the presence of the auditor or other duly authorized representative of the Commission on Audit (Sec. 79, PD 1445).

In the local government units, 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, city or municipal auditor, as the case may be, or his duly authorized representative or that of the Commission on Audit and, if found valueless or unusable, 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 awards and in the presence of the provincial, city or municipal auditor or his duly authorized representative. Notice of the public auction shall be posted in at least three (3) publicly accessible and conspicuous places, and if the acquisition cost exceeds one hundred thousand pesos (P100,000) in the case of province or city and fifty thousand (P50,000) in the case of municipalities, notice of auction shall be published at least two (2) times within a reasonable period in a newspaper of general circulation in the locality (Sec. 379, RA 7160).

SECTION 503. Modes of disposal/divestment. — As a general rule sale or disposal of government property shall be through public bidding.

For justifiable reasons, property may also be disposed in the following manner:

a. Public auction
b. Sale through negotiation
c. Barter
d. Transfer to other government agencies
e. Destruction or condemnation

SECTION 504. Public auction. — The divestment or disposal of government property shall be undertaken primarily thru public auction. Such mode of divestment or disposal shall adhere to established mechanics and procedures in public bidding, viz:

a. Adequate publicity and notification so as to attract the greatest number of interested parties;
b. Sufficient time frame between publication and date of auction;
c. Opportunity afforded to interested parties to inspect the property or assets to be disposed of;
d. Confidentiality of sealed proposals;

e. Bond and other prequalification requirements to guarantee performance; and

f. Fair evaluation of tenders and proper notification of award.

Publication of the public auction in the Official Gazette is required, or for not less than three consecutive days in any newspaper of general circulation, or where the value of the property does not warrant the expense of publication, by notices posted for a like period in at least three public places in the locality where the property is to be sold (Sec. 79, PD 1445).

SECTION 505. Sale through negotiation. — For justifiable reasons and as demanded by the exigencies of the service, disposal thru negotiated sale may be resorted to and undertaken by the proper committee or body in the agency or entity concerned taking into consideration the following factors:

a. There was failure of public auction. There is failure of public auction in any of the following instances:

1. If there is only one offeror. — In this case, the offer or bid, if sealed, shall not be opened.

2. If all the offers/tenders are noncomplying or unacceptable. — A tender is noncomplying or unacceptable when it does not comply with the prescribed legal, technical or financial requirements for prequalification.

b. The negotiation may be conducted singly, i. e., on a one-on-one basis, or in a group, provided that due communication between the offerors and the government is established with a view to ensuring that the government gets the best prices.

c. To avert possible confabulation among unscrupulous parties, a record of the proceedings of the negotiation must be maintained.

d. It is understood that the prices agreed upon at the negotiation shall not be lower than the floor price as fixed by the government or the highest offer submitted at the failed public auction whichever is higher.

In the local government units, the disposal of property no longer needed may also be undertaken thru negotiated sale at such price as may be determined by the Committee on Awards subject to approval of the Commission on Audit or its duly authorized representative when the acquisition or transfer cost of the property exceeds P50,000.00 in the case of provinces and cities, and P25,000.00 in the case of municipalities and barangays.

In case of real property, the disposal shall be subject to the approval of the Commission on Audit regardless of the value or cost involved (Sec 380, RA 7160).

SECTION 506. Barter. — 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, may be made with other
government agencies or government-owned or-controlled corporations. This shall be resorted to where there is an offer that would redound to the interest of and is advantageous to the government (COA Cir. 89-296, supra).

SECTION 507. Transfer of property between government agencies. — Any government property that is no longer serviceable or needed by the agency to which it belongs may be transferred without cost, or at an appraised value, to other agencies of the government upon authority of the respective heads of agencies in the national government, or of the governing bodies of government-owned or-controlled corporations, other self-governing boards or commissions of the government (Sec. 76, PD 1445).

In the local government units, such transfer shall be subject to the approval of the sanggunian concerned making the transfer and by the head of the office, agency, subdivision, instrumentality or local government unit receiving the property (Sec. 381, RA 7160).

SECTION 508. Destruction or condemnation. — This mode shall be resorted to only when the unserviceable property has no commercial value, or is beyond economic repair, or there is no willing receiver, and/or the appraised value is less than the administrative cost of sale, subject to prior inspection by the Auditor concerned. Valueless property shall be condemned either by burning, pounding, throwing beyond recovery, and the like. The head of the department, agency and corporation and the local chief executive shall approve the disposition (COA Cir. 89-296, supra).

SECTION 509. Disposal of government records. — Unless otherwise specifically provided by law, disposal of government records shall be either by sale or by burning. The disposal procedures shall be governed by the rules/regulations as may be issued by the Department of Education, Culture and Sports (DECS) for the purpose (DECS Dept. Order 13-A, Feb. 3, 1988).

SECTION 510. Accomplishment of reports. — These reports shall be made as soon as possible.

a. All disposable properties carried in the equipment accounts, as well as those carried in the supplies and materials in stock accounts for consumption or for sale shall be listed on an Inventory and Inspection Report General Form No. 17 (A) and all disposable expendable property including used or non-serviceable spare parts or remnants salvaged from destroyed or damaged fixed assets, shall be listed on a Waste Materials Report, General Form No. 64 (A), by the accountable officer concerned.

b. For the guidance of the Appraisal Committee in the case of unserviceable motor vehicles and heavy equipment, the Inventory and Inspection report shall be supported by a list of the missing or damaged spare parts and accessories which rendered the equipment unserviceable or more expensive to repair, with a certificate signed by the Property Officer or Custodian concerned that such missing parts or accessories have not been removed or salvaged for use in the repair of similar equipment or that said missing parts/accessories were removed and are kept in stock or have already been utilized for repair purposes, as the case may be.
SECTION 511. Scope. — This title covers all written contracts made by or on behalf of the Government which have been executed in pursuance of a lawful authorization (including approval when necessary) by the officer or officers, authorized by law to sign the same on behalf of the Government or any entity thereof. Such instruments are known as express contracts as distinguished from implied undertakings or promises, it being against public policy to permit public funds to be obligated otherwise than by explicit and specific writings.

A contract in legal contemplation is a meeting of the minds between two persons whereby one binds himself with respect to the other to give something or to render some service. A government contract is one entered into by a public officer acting for or on behalf of the Government within the scope of his authority and in his official capacity in which the people are interested, the subject matter of which is of public concern and affects private rights when its provisions are carried out by the officer to whom it is confided to perform.

SECTION 512. Validity of government contracts. — The contracting parties may establish such stipulations, clauses, terms and conditions as they may deem convenient, provided they are not contrary to law, morals, good customs, public order or public policy (Art. 1306, New Civil Code).

The contract is the law between the parties. It is impaired when its value is diminished. But when the price agreed upon in a government contract is found to be excessive, the Commission on Audit is authorized to reduce it pursuant to its power under the Constitution to promulgate rules and regulations, including those for the prevention of irregular, unnecessary, excessive or extravagant expenditures or use of public funds. The constitutional protection against impairment of contracts must yield to the valid exercise of police power of the State (COA Dec. 345, June 6, 1984; COA Dec. 395, May 18, 1987).

SECTION 513. Contracts and conveyances. — Contracts and conveyances may be executed for and in behalf of the Government or of any of its branches, subdivisions, agencies, or instrumentalities, including government-owned or-controlled corporations, whenever demanded by the exigencies of the service, as long as the same are not prohibited by law (Sec. 47, Bk 1, 1987 Adm. Code).

SECTION 514. Execution of contracts. — Contracts in behalf of the Republic of the Philippines shall be executed by the President unless authority therefor is expressly vested by law or by him in any other public officer. Contracts in behalf of the political subdivisions and corporate agencies and instrumentalities shall be approved by their respective governing boards or councils and executed by their respective executive heads (Sec. 51, Bk 1, 1987 Adm. Code).

SECTION 515. Levels and limitations of authority on approval of government contracts. — All government infrastructure and non-infrastructure contracts shall be approved by the following officials:

a. Infrastructure contracts. The Secretaries of all Departments and Governing Boards of government-owned or-controlled corporations can enter into publicly bidded contracts regardless of amount. In case of negotiated contracts, the maximum amount which the Secretaries of Public Works and Highways and of Transportation and Communications can approve/award is P100 million while the
Secretaries of other departments and governing boards of government corporations is up to P50 million. The President is the approving authority when the above-cited ceilings are exceeded (Sec. 1, EO 380, s. 1989).

The award of infrastructure contracts through negotiation shall only be allowed in the following cases:

1. In times of emergencies arising from natural calamities where immediate action is necessary to prevent imminent loss of life and/or property, in which case, direct negotiation or simplified bidding may be undertaken:

2. Failure to award the contracts after competitive public bidding for valid cause or causes, in which case, simplified bidding may be undertaken;

3. Where the construction project covered by the contracts is adjacent or contiguous to an on-going project and it could be economically prosecuted by the same contractor, in which case, direct negotiation may be undertaken with the said contractor at the same unit prices and contract conditions, less mobilization costs, provided that he has no negative slippage and has demonstrated a satisfactory performance. Otherwise, the contract shall be awarded through public bidding (Sec. 5, EO 164, s. 1987).

Infrastructure projects shall mean construction, improvement or rehabilitation of roads and bridges, railways, airports, seaports, communication facilities, irrigation, flood control and drainage, water supply and sewerage systems, shore protection, power facilities, national buildings, school buildings, hospital buildings, and other related construction projects that form part of the government capital investment (Sec. 1, EO 380, supra).

b. Non-infrastructure contracts. Department Secretaries and governing boards of government corporations are authorized to enter into bidded or negotiated contracts of any amount without the prior approval by higher authorities for the procurement of supplies, materials, equipment, and public services, provided said negotiated contract is justified under any of the grounds provided in Sec. 1, Executive Order No. 301, series of 1987, and subject to the availability of funds and to the auditing jurisdiction of the Commission on Audit in accordance with existing rules and regulations.

SECTION 516. Delegation of authority to approve infrastructure contracts. — The Secretaries of Public Works and Highways and of Transportation and Communication are authorized to delegate to the governing boards of government-owned or-controlled corporations, which are attached to or under the administrative supervision of their respective departments, the authority to approve contracts for infrastructure projects entered into by said corporations involving amounts which are within the approving authority of the Secretaries concerned. In case of government corporations which are attached to or under the Office of the President, the delegation shall be made by the Executive Secretary (Sec. 4, EO 164, supra).

SECTION 517. Contracting activities. — Agencies may enter into contracts with individuals or organizations, both public and private, subject to the provisions of law and applicable guidelines approved by the President: Provided that contracts shall be for specific services which cannot be
provided by the regular staff of the agency, shall be for a specific period of time, and shall have a
definite expected output: Provided further, that implementing, monitoring and other regular and
recurring agency activities shall not be contracted for, except for personnel hired on an individual and
contractual basis and working as part of the organization, or as otherwise may be approved by the
President: Provided, finally, that the cost of contracted services shall not exceed the amount that would
otherwise be incurred had the work been performed by regular employees of government, except as
may be authorized under this section (Sec. 58, Bk VI, 1987 Adm. Code).

SECTION 518.  Service contracts. — Departments, bureaus, offices or agencies of the national
government are hereby authorized to enter into contracts with private firms and non-governmental
organizations for services related or incidental to their respective functions and operations, through
public bidding or negotiated contracts, whenever it is impractical or more expensive for the government
to directly undertake such functions and operations, subject to accounting and auditing rules and
regulations: Provided, that the execution of the service contracts shall not operate to automatically
abolish or render vacant any existing occupied position in the contracting office or agency (Sec. 31,

SECTION 519.  Contracts for aerial survey, land capability and classification survey and boundary
monuments survey. — Government agencies shall, before entering into contract for aerial survey, land
capability and classification survey, boundary monuments survey and the like, verify if any such survey
in the region in question had been undertaken by the National Mapping and Resources Information
Authority, the Philippine Army, the Philippine Air Force, the Bureau of Lands and the Department of
Agrarian Reform, or whether said government agencies could undertake the job. A certification from
such government agencies to the effect that no such survey in the region in question had been
undertaken and/or that they cannot undertake the job shall be attached to every contract for surveys
entered into by government agencies with any private contractor (E.O. 1035 s. 1985).

SECTION 520.  Personal services contract. — It is a contract of employment between a department or
agency of the Government and a person who undertakes specific job requiring special or technical skills
not available in the said department or agency and accomplishes the same within a specific period,
which in no case shall exceed one year, under his own responsibility with minimum of direction and
supervision. Such type of contract is envisioned to include the hiring of private consultants. In order that
a government agency may validly contract for personal services, it must be so authorized in its
appropriations under the General Appropriations Act.

Contracts for personnel services, including contracts for consultancy management services, are subject
to review and confirmation of the Civil Service Commission thru the National Economic Development
Authority and Department of Budget and Management for consultants and contractuals, respectively.

SECTION 521.  Government contracts for auditing, accounting and related services. — The following
guidelines shall govern the contracts for auditing, accounting and related services:

a. No government agency shall enter into a contract with any private person or firm for services to
 undertake studies and services relating to government auditing, including services to conduct, for a fee,
seminars or workshops for government personnel on these topics, unless the proposed contract is first submitted to the Commission on Audit to enable it to determine if it has the resources to undertake such studies or services. The COA may engage the services of experts from the public or private sector in the conduct of these studies.

b. Should the Commission on Audit decide not to undertake the study or service, it shall nonetheless have the power to review the contract in order to determine the reasonableness of its costs (Sec. 32, PD 1445).

SECTION 522. Contracts for acquisition of real and other property. — Acquisition by the Government of private real property in connection with infrastructure and other development projects is usually negotiated. It is only when negotiation fails that acquisition through expropriation is resorted to.

SECTION 523. Guidelines for lease contracts. — Any provision of law, executive order or other issuance to the contrary notwithstanding, the Department of Public Works and Highways (DPWH), with respect to the leasing of privately-owned buildings or spaces for private use, shall formulate uniform standards or guidelines for determining the reasonableness of the terms of lease contracts and of the rental rates involved (Sec. 6, EO 301, supra).

SECTION 524. Jurisdiction over lease contracts. — The head of agency intending to rent privately-owned buildings or spaces for private use, shall have authority to determine the reasonableness of the terms of the lease and rental rates thereof, and to enter into such lease without need of prior approval by higher authorities, subject to compliance with the uniform standards or guidelines established by the DPWH and to the audit jurisdiction of the Commission on Audit or its duly authorized representative in accordance with existing rules and regulations (Sec. 7, EO 301, supra).

SECTION 525. Contract fees for architectural, engineering design, and similar professional services. — Professional fees for architectural, engineering design and similar professional services shall be stipulated in the contract in fixed monetary or peso amounts instead of as percentage of the project cost. Professional fees in terms of percent of the project cost is inconsistent with our national goal of economy in fiscal operations because the percentage fee motivates the architect or designer to design a project so as to maximize its cost since his fees will be computed as a direct proportion to the resulting cost (COA Cir. 82-191, July 5, 1982).

SECTION 526. Appropriation before entering into contract. — No contract involving the expenditure of public funds shall be entered into unless there is an appropriation therefor, the unexpended balance of which, free of other obligations is sufficient to cover the proposed expenditure (Sec. 85, PD 1445).

All contracts for capital projects and for supply of commodities and services including equipment maintenance contracts and other agreements requiring payments chargeable to agency current operating or capital expenditure fund, shall be signed by the agency heads or other duly authorized official only when there are available funds. The Chief Accountant of the contracting agency shall sign as witness, and contracts without such witness shall be considered void. It shall be the responsibility of the Chief Accountant to verify the availability of funds, as duly evidenced by programmed appropriations.
from which such contract shall ultimately be payable. His signature shall be considered as construing a certification to that effect (Sec. 46, PD 1177; LOI 968, Dec. 17, 1979).

Where the Chief Accountant issued a Certificate of Availability of Funds but failed to sign the contract as a witness in violation of LOI 968, the contract is nevertheless enforceable. Since Sec. 86 of P.D. 1445 states that the certificate shall be attached to and become an integral part of the proposed contract, then the failure of the Chief Accountant to affix his signature to the contract was somehow made up by his own certification which is the basic and more important validating document. The rationale of LOI 968 which is to ensure that there are available funds to finance the project, was already served by the Chief Accountant’s issuance of a certificate of availability of funds (Melchor vs. COA, GR. 95398, Aug. 16, 1991).

SECTION 527. Certification showing appropriation to meet contract. — Except in case of a contract for personal service, for supplies for current consumption or to be carried in stock not exceeding the estimated consumption for three months, or banking transactions of government-owned or-controlled banks, no contract involving the expenditure of public funds by any government agency shall be entered into or authorized unless the proper accounting officials of the agency concerned shall have certified to the officer entering into the obligation that such funds have been duly appropriated for the purpose and that the amount necessary to cover the proposed contract for the current fiscal year is available for expenditure on account thereof, subject to verification by the auditor concerned. The certificate signed by the proper accounting official and the auditor who verified it shall be attached to and become an integral part of the proposed contract, and the sum so certified shall not thereafter be available for expenditure for any other purpose until the obligation of the government agency concerned under the contract is fully extinguished (Sec. 86, PD 45).

SECTION 528. Void contract and liability of officer. — Any contract entered into contrary to the requirements of Sections 85 and 86 of PD 1445 shall be void, and the officer or officers entering into the contract shall be liable to the government or other contracting party for any consequent damage to the same extent as if the transaction had been wholly between private parties (Sec. 87, PD 1445).

SECTION 529. Prohibition against renewal/entering into contracts for public service for furnishing of supplies, materials and equipment without public bidding. — No contract for public service or for furnishing supplies, materials and equipment to the Government or any of its branches, subdivisions, agencies or instrumentalities shall be renewed or entered into without public bidding, except when justified by any of the grounds provided for in Section 1 of Executive Order 301 s. 1987. In addition thereto, a purchase thru repeat order may be made from the same supplier for the same items subject to the following conditions provided for in Sec. 448 hereof.

However, public bidding shall be required only on purchases of supplies, materials and equipment in excess of P50,000 unless the law or agency charter provides otherwise.

(COA Circular 85-55A)
SECTION 530. Suitability and liability of the State under its contracts with private party. — The State may not be sued without its consent (Art. XVI, Sec. 3, 1987 Const.). The immunity of a sovereign from suit is not because of any formal conception or obsolete theory, but on logical and practical ground that there can be no legal right as against the authority that makes the law on which the right depends (Republic vs. Villasor, 54 SCRA 83 and 86, Nov. 28, 1973; PCCG vs. Nepomuceno, GR 78750, Apr. 20, 1990).

Under settled jurisprudence, a suit against the State is not permitted except upon showing that it has consented to be sued, either expressly by a general or special law (Republic vs. Feliciano, GR. 70853, March 12, 1987) or impliedly when it files a complaint, thus opening itself to counter claim (USA vs. Guinto GR 76607, February 26, 1990). So, too, when the government enters into contract, thereby descending to the level of an ordinary individual and its consent to be sued is implied from the very act of entering into such contract. (Santos vs. Santos, 92 Phil. 281). Not all contracts entered into by the government will operate as a waiver of its suability. Distinction must be made between its sovereign and proprietary acts. As for the filing of a complaint by the government, suability will result only where the government is claiming affirmative relief from the defendant (USA vs. Guinto, supra).

The contemplation of contracts entered into by the government whereby it gives its consent to be sued are those entered into by the local government unit (Sec. 12, B.P. 337), and by the corporate agencies in pursuit of their corporate objectives. When the government enters into a commercial business, it abandons its sovereign capacity and is to be treated like any other private corporation (Malong vs. PNR, 138 SCRA 63 and 67, Aug. 7, 1985).

But a national government agency, not having a separate personality of its own and performing purely governmental function may or may not be immune from suit depending on the nature of the contract it enters into.

If the transaction, contract or operation undertaken by a national government agency is necessary incident to its prime governmental function, it is immune from suit. But if said agency though unincorporated and therefore not possessed of a distinct personality, enters into contract which is proprietary in nature or engages in a business undertaking which is beyond its function, there is an implied waiver from suit (Traders Royal Bank vs. Intermediate Appellate Court GR. 68514, Dec. 17, 1990).

Chapter 2. Revenue Generating Contracts

SECTION 531. Revenue-generating contract defined. — A revenue generating contract is an agreement whereby the government agency grants to a lessee, contractor, or concessionaire the right to manage and operate the revenue-generating project or facility of the former for a fixed fee, such as, but not limited to, buildings, market and market stalls and spaces, slaughterhouses, land, parking lots, porterage services, stalls and advertising spaces, port facilities, cargo handling, warehouse operations, stevedoring, transport service and the like. Except for the rental or lease of market stalls and spaces, no such contracts shall be awarded for the first time or renewed and entered into without the required public bidding. Such public bidding shall be in accordance with pertinent laws, rules and regulations.
SECTION 532. Prohibiting open-ended or automatic renewal of revenue generating contract. — No revenue-generating contract shall be entered into stipulating an open-ended period or automatic renewal thereof if at the end of the period of contract no notice of termination is served the lessee, contractor, or concessionaire.

SECTION 533. Limited period of revenue-generating contract. — As a general rule, the contract period shall be limited to one year. It shall be the responsibility of the head of the agency to see to it that the public bidding and award can already be made before the expiration of the contract. A contract period longer than one year but not exceeding two years may, however, be fixed to allow the lessee, contractor or concessionaire to recover the cost of equipment or leasehold improvement necessary to be brought into or introduced in the operation to effectively fulfill its part of the agreement.

SECTION 534. Approval of revenue-generating contract. — Revenue generating contracts shall be entered into by the head of the agency granting the lease contract or concession without need of prior approval by higher authorities, subject to compliance with the uniform standards or guidelines established by the DPWH (Executive Order No. 301, July 26, 1987).

Chapter 3. Infrastructure Contract

SECTION 535. Definition and scope. — Infrastructure projects are investments in capital goods by the government in the form of horizontal or vertical projects, such as roads and bridges, water supplies, flood control, irrigation systems, drainage, harbors, ports, and buildings. The infusion of government funds into these projects can be categorized into construction, betterment, improvement, rehabilitation, and/or maintenance.

SECTION 536. Mode of contracting. — As a general rule, contracts on infrastructure projects shall be obtained through competitive public bidding. Infrastructure contracts may be negotiated under strict and limited conditions in the manner provided by laws, rules and regulations. However, it shall be the last recourse and the exception to the general rule of competitive public bidding.

SECTION 537. Requirements before an infrastructure contract can be offered to public bidding. — No bidding and/or award of contract for a construction project shall be made unless the detailed engineering investigations, surveys and designs for the project have been sufficiently carried out in accordance with the standards and specifications prescribed by the head of office/agency/corporation concerned or his duly authorized representatives.

Detailed engineering shall proceed only on the basis of the feasibility or preliminary engineering study made which establishes the technical liability of the project and conformance to land use and zoning guidelines prescribed by existing laws. The findings contained in the feasibility study, if undertaken for the project, shall be examined. If, in the course of this exercise, it is found that changes would be desirable in the design standards or principal features, as proposed, specific recommendations for such changes shall be supported by detailed justifications, including their effects on the cost, and, if necessary, the economic justification.
SECTION 538. Detailed engineering. — Work under detailed engineering shall include the following activities:

a. Survey
b. Site investigation
c. Foundation investigation
d. Soils and materials investigation
e. Preparation of design
f. Preparation of specifications
g. Preparation of quantity and cost estimates
h. Preparation of program of work
i. Preparation of proposed construction schedule (and estimated cash flow for projects with schedule over six (6) months)
j. Preparation of site or right-of-way plans including schedule of acquisition
k. Preparation of utility relocation plan
l. Preparation and submission of design report
m. Environmental impact statement for major projects
n. Preparation of bid/tender documents.

SECTION 539. Design standards. — Design standards shall be in accordance with appropriate standards adopted by the office/agency/corporation concerned. Design standards for structures shall take into account, among other things, the seismicity of the area to determine the optimum safety of structures and to minimize possible earthquake damage.

SECTION 540. Field surveys. — Necessary field surveys which may include aerial, hydrographic, topographic, sub-surface, monumentality and other surveys shall be carried out. All survey works shall be prepared in a manner satisfactory to carry out accurate design and production of plans.

SECTION 541. Contract plans. — The following plans shall be prepared for each construction contract in accordance with guidelines and standards adopted by the office/agency/corporation concerned, incorporating at least the following:

a. Site development plan
b. Plans and profile sheet
c. Typical sections and details

d. Drainage details where applicable

e. Structural plans at appropriate scales indicating all necessary in order that the complete structure can be set out and constructed

f. Other details which may be required by the Head of office/agency/corporation

SECTION 542. Construction quantities. — All construction quantities shall be computed to a reasonable accuracy of plus or minus fifteen percent (+/-15%) to avoid variation orders.

SECTION 543. Special provisions in the contact. — Specifications shall be prepared for specific items of work or methods of construction, measurement and payment under each contract, which are not covered by Standard Construction and Material Specifications adopted by the office/agency/corporation concerned.

SECTION 544. Unit prices. — These shall be prepared for each contract using costs based on reasonable approved current prices, divided into local and foreign exchange costs, as the case may be.

SECTION 545. Agency estimates. — The Agency Estimate of construction cost shall be prepared by official(s) duly designated by the head of office/agency/corporation concerned or by his duly authorized representative. It shall be approved by the head of the office/agency/corporation or his duly designated representative.

The head of office/agency/corporation may keep the Approved Agency Estimate (AAE) confidential until the opening of bids or publicly announce the AAE through advertisement or in the instructions to bidders. In cases where the AAE is held confidential, it shall be finalized on the day of the bidding after all bids have been received and shall be held confidential and signed, sealed and ready for presentation on the day of the opening of bids/tenders. The AAE shall be announced publicly before the various bids/tenders are read provided that there are at least two complying bids.

The estimate should show the local and foreign currency requirements, as the case may be.

The estimate should show for each major work item, such as earthwork, roadwork, and massive concreting, the components for equipment rentals, fuel, labor, materials and overhead.

SECTION 546. Bid/tender documents. — The Bid/tender documents shall include the following:

a. Instructions to bidders

b. General conditions

c. Addenda

d. Itemized bill of quantities
e. Day work schedule
f. Form of bid security
g. Performance security
h. Contract plans and specifications
i. Draft contract which will already include a price escalation clause, and
j. All other information required for local and international bidding procedures.

Securities shall mean any of the following:

1. Cash
2. Manager's checks
3. Cashier's checks
4. Letters of credits
5. Bank drafts/guarantees
6. Surety bonds

In the preparation of the bidding documents, the government shall make an estimate of the actual number of working days required to complete the project through PERT/CPM analysis of the project activities and corrected for holidays and weekends. Likewise, the government shall make an estimate of the number of rainy/unworkable days considered unfavorable for the prosecution of the works at the site, which shall be indicated in the tender documents, and incorporate the same in the corrected actual number of working days determined above, and shall be made the basis of the total contract time. The estimated number of rainy/unworkable days considered unfavorable for the prosecution of the works at the site shall be made known before the date of bidding through the instructions to bidders, invitation to bid and other bidding documents for the purpose of guiding both the government and winning contractors in the request for and approval of time extensions. Without the estimated number of rainy workable days established before the bidding date and known to all participating bidders, the contract time is presumed to have excluded the unfavorable conditions.

SECTION 547. Program of work. — Before prosecuting any project, the necessary program of work shall be prepared and submitted for approval. In no case shall construction funds be remitted to field office or construction work or a project be started before the program of work is approved, in accordance with existing laws.

No program of work for any project shall be approved without detailed engineering data required.
The program of work shall include, among other things estimates of the work items, quantities and costs and a PERT/CPM network of the project activities. The program of work shall cover at least a usable portion of the project and no construction shall be started for portions of the project that are less than usable, except projects requiring stage construction, in which case continuity of construction up to the completion of a usable portion must be assured.

SECTION 548. Pre-qualification of contractors. — The following may become contractors for government projects:

a. Filipino contractors

1. Citizens (single proprietorship)

2. Partnerships, corporations at least seventy five percent (75%) of the capital stock of which belongs to Filipino citizens.

b. Contractors forming themselves into a joint venture, i.e., a group of two or more contractors that intend to be jointly and severally responsible for a particular contract, shall for purposes of bidding/tendering comply with LOI 630, and, aside from being currently and properly licensed by the Philippine Contractors Accreditation Board, shall comply with the provisions of RA 4566, and its implementing rules and regulations, provided that joint ventures in which Filipino ownership is less than seventy five percent (75%) may be prequalified where the structures to be built require the application of techniques and/or technologies which are not adequately possessed by a Filipino entity.

c. Foreign contractors for internationally bid foreign-assisted projects as may be required by foreign financial institutions.

SECTION 549. Creation of a committee that will evaluate contractors' bids and awards. — Each department/office/agency shall have in its head office or in its implementing offices a Prequalification, Bids and Awards Committee (PBAC) which shall be responsible for the conduct of prequalification, bidding, evaluation of bids and recommending award of contracts. Each Prequalification, Bids and Awards Committee shall be composed of the following (EO 164 s. 1987):

a. A Chairman (regular) who should at least be a third ranking official of the department/agency/implementing office.

b. An executive officer and secretary (regular) who is a legal officer of the department/office/agency/implementing office.

c. A technical member (regular) to be designated by the head of the department/office/agency/implementing office.

d. The members (provisional) with experience in the type of project to be bidden and in project management, duly designated by the head of the department/office/agency/implementing office on a project-to-project basis.
e. Members from the private sector — To ensure the transparency of bidding process, one qualified representative from a duly recognized contractors' association and one qualified representative from any of the following organizations:

1. End-user group or non-governmental organization to be designated by the head of office/agency corporation concerned.
2. Philippine Institute of Certified Public Accountants
3. Philippine Institute of Civil Engineers.

Both representatives shall be non-voting members.

In the local government units, the PBAC shall be composed of the governor or the city or municipal mayor, as the case may be, as the Chairman with the following as members, (Sec. 37, RA 7160):

a. The Chairman of the appropriations committee of the Sanggunian concerned;

b. A representative of the minority party in the sanggunian concerned, if any, or if there be none, one (1) chosen by said sanggunian from among its members;

c. The local treasurer;

d. Two (2) representatives of non-governmental organizations that are represented in the local development council concerned, to be chosen by the organization themselves; and

e. Any practicing certified public accountant from the private sector, to be designated by the local chapter of the Philippine Institute of Certified Public Accountants, if any.

Government-owned or-controlled corporations shall organize their own PBACs, the members of which shall be appointed by their respective boards preferably along the same line as other government offices.

Non-infrastructure agencies are agencies other than the Department of Public Works and Highways, Department of Transportation and Communications, their attached agencies and other infrastructure corporations that do not possess an in-house technical capability to constitute their own PBAC shall cause the designation of either of the two infrastructure departments mentioned above whichever is concerned, to undertake the prequalification, bid and award services, as well as the preparation of project plans and designs and supervision of construction.

SECTION 550. Invitation to bid for locally funded projects, foreign-financed/assisted projects and others. —

a. For locally funded projects, contractors shall be invited to bid through:

1. Advertisement for at least three (3) times within a reasonable period depending upon the size and complexity but in no case less than two (2) weeks in at least two (2) newspapers of general
circulation which have been regularly published for at least two (2) years before the date of issuance of the notices or announcements and at the same time posting copies thereof at any conspicuous place in the office/agency/corporation concerned if the project cost is more than P1,000,000. However, for projects costing P1,000,000 and below or for projects authorized to be bid by the regional/district offices involving costs as may be delegated by the head of office/agency/corporation, the invitation to bid shall be advertised at least once within a week in a newspaper of local circulation which has been regularly published for at least six (6) months before the date of issuance of the notices or announcements within the region where the project is situated, or through posting of notices in the premises of municipal/provincial offices, or through other forms of media such as radio and television, provided that based on the agency's short list of contractors or referral with the inter-agency committee on registration and classification of contractors, there are at least four contractors indigenous to the region duly classified and registered to undertake such projects.

2. Additionally, in the case of projects requiring special technology, direct invitation of contractors known for their capacity to undertake such type of projects.

b. For foreign-financed/assisted projects, contractors are invited under the same procedures above and/or in accordance with procedures established by, and agreed upon with, the lending/financing institution.

SECTION 551. Issuance of qualification statements/forms. — The Prequalification, Bids and Awards Committee (PBAC), or the Prequalification Committee, as the case may be, shall provide prospective bidders with the Notice of Prequalification and other relevant information regarding the proposed work, including a brief technical description of the work as to size, type, major items and other important features of the work to guide them in evaluating their capabilities and in deciding whether or not to participate in the bidding of a specific project.

The following qualification statements shall be required of interested contractors:

a. Certificate of Registration and Classification

b. Pre-C-Contractor's Confidential Prequalification Statement for the Project (Pre-C)

SECTION 552. Contractor's confidential pre-qualification statement for the project. — Pre-C shall be required by the contracting government office/agency/corporation for every project in which the contractor intends to bid. It shall submitted not later than the deadline set in the published Invitation to Bid, after which date no Pre-C shall be submitted and received.

The following papers shall, among others, comprise Pre-C. Each office/agency/corporation shall have the discretion to specify whether any of the documentation listed below shall form part of the Pre-C subject to revision in the event the situation of the contractor has materially changed at the time of submission of the Pre-C.

a. Statement of completed construction projects in the last three years, government and private. The statement shall include the nature and value of the project, original and actual project schedule, the
location of the project, the name and address of the owner, the financial institutions from whom guarantees, credit lines, loans and other financial accommodations were secured for such projects, and the aggregate outstanding from each institution in each year.

b. Detailed statement showing a list of all on-going construction projects, government and private, as well as awarded and/or approved contracts not yet started. This statement shall include the value of the project, percentage of time elapsed, percentage of physical accomplishment and scheduled date of completion.

c. Actual employment of, or contract to employ, a duly qualified project manager and a project engineer who have managed or supervised at least a project of similar nature as to type and cost (escalated).

d. An organization chart and a complete qualification and experience data sheet of key personnel.

e. List of owned equipment and those pledged exclusively for the project.

All prequalification documents shall be under oath signifying their correctness and authenticity. These shall be accompanied by a letter authorizing the head of office/agency/corporation or his duly authorized representatives to verify any or all of the documents submitted.

SECTION 553. Contractor's confidential application for registration and classification. — The following documents shall, among others, comprise ARC-C:

a. Certified xerox copy of Contractor's License for the current year;

b. Certified xerox copy of Privilege Tax Receipt (PTR) for the current year;

c. Description of the organization including its objectives and the names, nationalities, and construction experiences of key officials/engineers;

d. Detailed financial statements (balance sheets and profit and loss statements) for at least the current year, or for a longer period depending on the size or complexity of the project at the discretion of the head of office/agency/corporation, as reflected in his Income Tax Return duly filed with and received by the BIR. In the case of joint ventures, the financial statements of each individual member entity shall be shown;

e. List of equipment items owned;

f. Experience record;

g. In the case of foreign contractors allowed to bid and submit proposals under these rules and regulations, a certification from their respective embassies/consulates that they are bona fide qualified contractors;

h. Articles of partnership or incorporation.
SECTION 554. Classification and registration of contractors. — An inter-agency committee composed of representatives from the Department of Public Works and Highways, the Department of Transportation and Communication, the Office of the President of the Philippines in the absence of a Department of Energy, and the Construction Industry Authority of the Philippines (CIAP) shall classify and register, or predisqualify, the contractors who have submitted ARC-C statements. Certificates of registration and classification of contractors previously approved by the inter-agency committee shall be deemed valid until the same shall have expired, revoked and/or upgraded/downgraded.

The Inter-Agency Committee shall be chaired by and based at the offices of the CAP which shall provide secretariat services through the Philippine Contractors Accreditation Board (PCAB). It shall formulate uniform guidelines, criteria, and procedures for the classification of contractors to be adopted by all offices/agencies/corporations concerned.

The Inter-Agency Committee shall perform the following functions:

a. Classify and register, or predisqualify, the contractors who have submitted ARC-C statements. The classification shall be made by matching the contractors with the types or categories of projects (e.g., highways, irrigation, flood control, water supply, buildings, power, etc.), considering their magnitude, degree of complexity, cost, and construction time, on one hand, and the experience, or track record, financial resources, equipment capability, organization and technical personnel of the contractor, on the other. These shall provide, among other things, that, for similar types of projects (e.g., buildings), the offices/agencies/corporations shall adopt a common classification system. A contractor may not be qualified to bid for contracts in a class higher than that for which he has been classified. Bidding for projects larger than the small (or lowest) category shall be open to all contractors above that category, provided that a contractor may not bid for a project with a cost exceeding the ceiling of his class. Bidding for projects within the small category shall be limited only to small contractors.

b. Examine and evaluate the ARC-C, together with all attached supporting papers to determine whether all requirements (legal, financial, equipment, technical experience and organization) have been duly complied with. For large and complicated projects, emphasis shall be on the technical expertise and experience of the prospective bidders. And for small projects, emphasis shall be on the financial capability of the prospective bidder. The track record, including work performance and financial capability of the contractor for the last three years, shall be scrutinized, and actual verification shall be made when there is doubt in authenticity of any item in his prequalification statements.

c. Examine carefully the organization and equipment capability of the prospective bidder.

d. Check the financial contracting capacity (FCC) of the prospective bidder. The FCC shall be his present net worth as shown in his balance sheet and reflected in his latest income Tax Return (duly filed with and received by the BIR) times twelve (12).

e. Verify whether the applicant or any one of the members in case of a joint venture, is presently suspended or blacklisted. If the applicant or any member of the joint venture is blacklisted or suspended, the same shall be a ground for pre-disqualification. When the applicant is a new contracting
firm, the names of the incorporators shall be checked against the list of suspended or blacklisted contractors. If the controlling stockholder(s) are found as such, the applicant firm shall be predisqualified.

After undertaking the above processes, the Inter-Agency Committee shall, as the case may be, either classify and register the contractor for the current year, the validity of which shall be consistent with that prescribed under the guidelines on classification and registration formulated in accordance with these rules and regulations, or predisqualify the contractor, giving the reasons therefor.

SECTION 555. Prequalification of contractor for specific contracts. — A bidder must be found to be pre-qualified to undertake the subject contract based on his prequalification (Pre-C) statements as evaluated by the PBAC.

Notwithstanding the prequalification of a contractor, the Government reserves the right to review his prequalification statements and other relevant information before the approval of the contract. Should such review uncover any misrepresentation made in the pre-qualification statements, or any change in the situation of the contractor to downgrade the substance of his pre-qualification statements, the Government shall disqualify him from submitting a bid or from obtaining any award or contract.

In the evaluation of the Pre-C statement, the PBAC shall review, among other things, the technical capability of the contractor to carry out the subject contract as gauged by the extent and quality of his relevant experience and performance and track record, the suitability of his available construction equipment, and the adequacy of his proposed project organization and personnel. Up-to-date information on these aspects shall be considered.

To determine the financial capacity of the contractor, the PBAC shall require the contractor to submit a statement from a bank or a financing institution authorized/licensed by the Central Bank of the Philippines that the bank/financial institution commits to provide the contractor, if awarded the contract, a credit line in an amount specified by the agency which is equal to the average operating expenses of the project for two (2) months or ten percent (10%) of the approximate total project cost, whichever is less, or a cash deposit certificate in the amount specified in the foregoing. In the case of a cash deposit certificate submitted by the winning bidder, withdrawal of such cash deposit shall be subject to approval by the concerned contracting government agency.

The PBAC shall also check the bidder's performance in his on-going government and private projects. If there is a reported negative slippage of more than 15%, unsatisfactory quality of work and/or performance of his obligations under his contracts in any of these projects, the PBAC shall verify the cause(s) of such reported negative slippage, unsatisfactory quality of work and/or performance of said obligations, and if these are found due to his fault or negligence, the bidder shall be pre-disqualified from the subject contract.

After undertaking the above processes, the PBAC or the Postqualification Committee, as the case may be, shall mark the prequalification documents "Prequalified" together with the classification of the contractor, or "Predisqualified," as the case may be, countersigned by the Chairman, for review and
approval of the Head of office/agency/corporation concerned or his duly authorized representative. Accordingly, the PBAC or the Prequalification Committee, as the case may be, shall duly inform the prospective bidders who have been prequalified within seven (7) calendar days after approval. Applicants predisqualified should likewise be informed stating therein the grounds for their predisqualification. Those predisqualified are giving seven (7) calendar days upon receipt of notice within which to appeal for reconsideration.

SECTION 556. Procedures in the issuance of plans, specifications and proposal book form. — The PBAC or the Prequalification Committee, as the case may be, shall issue the plans, specifications and proposal book form(s) for the project to be bid to contractor-applicants prequalified under Pre-C prequalification under the relevant classification, upon payment of the corresponding price thereof to the collecting/disbursing officer of the office/agency/corporation concerned in accordance with the following schedule.

Estimated Project cost (in Pesos) and Proposal Book Form (in Pesos)

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<th>Book Forms(s) and Draft Contracts</th>
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a. Up to one (1) million          15 days before the date of bidding

b. Above one (1) million up to five (5) million 30 days before the date of bidding

c. Above five (5) million up to ten (10) million 45 days before the date of bidding

d. Above ten (10) million up to one hundred (100) million 60 days before the date of bidding

e. Above one hundred million 90 days before the date
The aforementioned schedule shall be considered as prescribed minimum and may be extended depending on the complexity of the project, but subject to the approval of the office/agency/corporation head concerned.

In case of simple or repetitive or standardized jobs where time is of the essence, the head of office/agency/corporation may reduce the above time of issuance to not less than fifty percent (50%).

A draft contract shall be issued to the prospective bidders to form part of the bid documents.

SECTION 557. Interpretation of bid/tender documents and other supplemental notices. — If a prospective bidder is in doubt as to the meaning of any part of the bid documents, he may submit a written request for an interpretation to the head of office/agency/corporation concerning allowing sufficient time for a reply to reach him before submission of his bid. Any substantive interpretation given will be issued by the Government in the form of a Supplemental Notice, furnishing copies thereof to all prospective bidders.

The Government may also issue to all prospective bidders Supplemental Notices at least seven (7) calendar days prior to the date of opening of bids for purposes of clarification or modification of the bid documents. Receipt of all Supplemental Notices shall be duly acknowledged by each prospective bidder prior to submittal of bids and compliance thereto shall be indicated on the bid form. Oral interpretation of the bid documents shall not be binding.

Pre-bid conference(s) may be conducted at the discretion of the Government or upon written request by any or all of the prospective bidders subject to the approval of the office/agency/corporation. For projects with an approximate cost of P20 million or more, at least one (1) pre-bid conference is required. Said pre-bid conference(s) shall be held at the place and time to be designated by the head of office/agency/corporation concerned which shall not be later than fourteen (14) calendar days prior to opening of bids. For this purpose, foreign prospective bidders shall be advised through their local representatives. In the absence of local representatives, cables shall be sent to contractors.

SECTION 558. Prospective bidder’s responsibility. — The prospective bidder shall be responsible for having taken steps to carefully examine all of the bid documents and also have knowledge of all conditions, local or otherwise, affecting the carrying out of the contract work, and to have arrived at an estimate of the facilities available and needed for the project. Failure to do so shall be at the prospective bidder’s risk.

It shall be the sole responsibility of the prospective bidder to determine and to satisfy himself by such means as he considers necessary or desirable as to all matters pertaining to the project, including the location and the nature of the work; climatic conditions; nature and condition of the terrain; geological conditions at the site; transportation and communication facilities; the requirement and the availability of materials, labor, water, electric power and roads; the locations and extent of aggregate source; and other factors that may affect the cost, duration and execution of the work. The prospective bidder by
the act of submitting his bid, acknowledged that he has inspected the site and determined the general characteristics of the project and the conditions indicated above. An affidavit of such site inspection from the prospective bidders shall therefore be required.

The Government shall not assume any responsibility regarding erroneous interpretations or conclusions by the prospective bidders out of the data furnished by the Government.

Prior to submittal of bids, the prospective bidders are considered to have become familiar with all existing laws, decrees, ordinances, acts and regulations of the Philippines which may affect or apply to the operations and activities of contractors. However, in cases where the cost of the awarded contract is affected by any applicable new laws, decrees, ordinances, regulations and other acts of the government promulgated after the date of bidding for publicly-bid and sealed-bid contracts or date of contract for negotiated contracts, a contract price adjustment shall be made or appropriate relief shall be applied on a no loss-no gain basis provided such is not covered by the provision on price escalation hereof.

SECTION 559. Preparation of bids, bid bond and prequalification statement. — Bids shall be prepared on the proposal book form in accordance with the Instructions to Bidders.

The original copy of the bid shall be accompanied by a bid security in an amount not less than two-and-one-half percent (2 1/2%) of the total bid price in the form of cash, certified check, manager's check, or bank draft/guarantee confirmed by a local bank (in the case of foreign contractor bonded by a foreign bank) against any reputable bank or letter of credit issued commercial bank or surety bond, callable on demand, issued by a surety or insurance company duly accredited by the Office of the Insurance Commission or any combination thereof as may be required by the head of office/agency/corporation concerned payable to the office/agency/corporation as guarantee that the successful bidder shall within thirty (30) calendar days or less at the discretion of the head of office/agency/corporation concerned, from receipt of Notice of Award, enter into contract with the Government and furnish the performance security for the faithful and complete prosecution of the work specified in the contract documents. Bids and bid securities shall be valid for a reasonable period to be determined by the head of office/agency/corporation concerned as indicated in the Instruction to Bidders but in no case later than one hundred twenty (120) calendar days following, the opening of the bids.

No bid securities submitted in the form of sureties of all complying bidders shall be returned after the opening of bids. Bid securities submitted in form other than securities, such as cash, manager’s check, cashier’s checks, irrevocable standby letter of credit and bank draft/guarantee, may be returned upon request of the bidder provided that he is not among the three lowest complying bidders and such withdrawal shall be construed as a waiver by the bidder for award of contract. Bid securities in the form of sureties shall be returned only after the successful bidder has signed the contract and furnished the performance security but in any case not later than the expiration of the bid security validity period indicated in the instructions to bidders.

SECTION 560. Submission, opening and abstracting of bids/tenders. — The following guidelines shall be observed:
a. Bids in the prescribed form including its annexes as specified under Section 567 shall be submitted in two (2) sealed envelopes with the name of the project to be bid and the name of the bidder in capital letters addressed to the PBAC (or to the Bid and Award Committee as the case may be) of the office/agency/corporation concerned. They shall be marked "Do not open before (Date and time of opening of bids)".

b. The first envelope shall contain the following information/documents:

1. Authority of the signing official
2. Construction schedule and S-curve
3. Construction methods
4. Project organizational chart
5. Manpower schedule
6. Equipment utilization schedule and duly executed contract of lease of all equipment and machineries which shall be intended for use exclusively for the project, if any
7. Affidavit of site inspection
8. Bid security
9. Certification that the detailed estimates, cash flow by quarter; and payments schedule are in the second envelope.

It shall be opened first to determine the contractor's compliance with the above requirements.

c. The second envelope shall contain the following information/documents:

1. Bid prices in the bill of quantities
2. Detailed estimates
3. Cash flow by quarter and payments schedule

It shall be opened immediately after the opening of the first envelope and only if the contractor has complied with the requirements of (b) above.

d. Bids shall be received on or before the designated time and date to be eligible for consideration. Bids may be withdrawn only in writing before the time set for the opening of bids.

e. In cases where the Approved Agency Estimate (AAE) is held confidential, it shall be announced publicly by the Chairman of the PBAC before all bids are opened, read and recorded. Should there be only one (1) bidder, the AAE may be read, as provided in Section 561(b).
f. A bid which is not accompanied by the required bid security shall be rejected outright.

g. Bids shall be opened at the place, date and time specified in the advertisement by the PBAC. The bidders or their duly authorized representatives may attend the opening of bids. Every page of the original copies of all bids received and read must be initialed by all members of the PBAC and the auditor's representative.

h. After all bids have been received and opened, the corresponding Abstract of Bids shall be prepared. The Abstract of Bids shall be signed by all members of the PBAC attaching thereto all the bids with their corresponding bid securities and the minutes or proceedings of the bidding. The Abstract of Bids shall contain the following:

1. Name of the project and its location
2. Time, date and place of bidding
3. Names of bidders and their corresponding bids arranged from the lowest to highest showing their respective variances in percent from the Approved Agency Estimate, the amount of security and name of the issuing entity.

SECTION 561. Evaluation of bids. — The Committee shall follow these guidelines:

a. A bid which does not comply with the condition or requirements of the bid documents shall be rejected by the PBAC (or the Bids and Awards Committee as the case may be) giving the reason or reasons for its rejection. The Government, however, in the evaluation of bids received, reserves the right to waive the consideration of minor deviations in the bids received which do not affect the substance and validity of the bids.

b. At the time of opening of bids, there shall be at least two (2) competing bidders. In case there is only one bidder, the PBAC has the option to either:

1. In cases where it is held confidential, announce the AAE and open the bid (second envelope) and subsequently consider the lone bid for award provided that it complies with the requirements of Section 562(b) hereof, and provided further that it does not exceed the AAE; or

2. Return the second envelope of the lone bidder unopened and conduct a rebidding thru sealed canvass of at least five (5) qualified contractors within fifteen (15) days from the date of the failed opening of bids. However, for projects costing P3 million and below, the number or qualified contractors to be invited may be reduced to at least three (3). The prospective bidders shall not be limited to those previously prequalified for the project, and may include those whose classification is higher than that corresponding to the subject project with the lone complying bidder automatically participating.

The bidders to be invited shall have shown satisfactory performance in previous projects undertaken for the government as may be determined by the head of office/agency/corporation concerned and shall have not incurred any delays in all its on-going government and private projects.
c. Should after undertaking the above processes, there be failure to award the contract within the limits prescribed under Section 562 (a) hereof, the project shall be advertised anew for rebidding after undertaking the procedure prescribed under Section 562 (b) for failed bidding.

d. The respective PBACs of concerned government offices/agencies/corporations should normally complete the evaluation of bids not later than thirty (30) calendar days from the date of the opening of bids.

SECTION 562. Awarding of bid contract. — The award of contract shall be in conformance with these rules:

a. No award of contract shall be made to a bidder whose bid price is higher than the Allowable Government Estimate (AGE) or the Approved Agency Estimate (AAE), whichever is higher, or lower than seventy percent (70%) of the AGE. For purposes of these implementing rules and regulations, the AGE shall be equal to one half of the sum of the AAE and average of all responsive bids. For purposes of determining the average of all responsive bids, bids higher than One Hundred Twenty Percent (120%) or lower than sixty percent (60%) of the AAE shall not be considered.

b. In the event that any of the following conditions should occur, the bidding shall be declared a failure and the office/agency/corporation concerned shall undertake a review of the AAE and the tender/bid and other related documents such as Instructions to Bidders, Plans and Technical Specifications, Standards and Completion Schedule, etc.:

1. When no bids are received
2. When all bids received are higher than one hundred twenty percent (120%) or lower than sixty percent (60%) of the AAE
3. Failure to award the contract within the limits prescribed in Section 562 (a).

If found necessary, the AAE, including other related tender documents, shall be revised and the project shall be advertised anew for bidding subject to the approval of the office/agency/corporation head concerned. Such review and/or revisions however, including the approval by the office/agency/corporation head concerned of the necessary modifications, if any, shall be made not later than twenty (20) calendar days from the date of opening of bids.

c. All bidders who have been previously prequalified for the project shall automatically prequalify for the rebidding of the project.

d. The Government, however, reserves the right to reject any or all bids, to declare a failure of bidding if there is, among others, any reason to suspect an evident collusion among contractors resulting in no competition; to waive any required formality in the bid received; and to disregard any bid which is obviously unbalanced, particularly in the major items. For purposes of these implementing rules and regulations, an unbalanced bid shall be defined as a bid containing one or more pay items that are thirty percent (30%) higher than the unit of AGE in respect to major items whereas other pay items are
priced lower than the unit AGE, major items being defined as pay items representing at least twenty percent (20%) of the AAE or the first items having the highest percentage of the AAE or those indicated/specified in the Instructions to Bidders.

e. Unbalanced bids as defined above may be considered for award provided that the excess of the item bid price for the subject major item over one hundred thirty percent (130%) of the unit AGE is paid upon eighty percent (80%) completion of the entire project and full completion of the subject major item.

f. The right is also reserved to reject the bid of any bidder who (1) has previously failed to satisfactorily perform or complete any construction contract undertaken by him or (2) was prequalified on the basis of suppressed or false information.

g. In the event of refusal or failure of any complying bidder eligible for award to enter into contract within the stipulated time, the Government shall impose the appropriate sanctions provided in Section 565.

h. In the event of refusal, inability or failure of the lowest complying bidder eligible for award to make good his bid by entering into contract and to post his performance security within the time provided therefor, the second lowest complying bidder eligible for award shall be considered for award at his bid price provided that his bid shall not exceed the limits prescribed under Section 562 (a) hereof. This rule shall likewise apply to the third lower complying bidder eligible for award in case the second lowest complying bidder eligible for award shall refuse. Otherwise, the project shall be advertised anew for bidding after undertaking the procedure prescribed under Section 562 (b).

i. If after rebidding, no bid still comes within the limits of award of contracts prescribed under Section 562 (a) hereof, the project may be recommended to the head of office/agency/corporation concerned for prosecution by administration or by negotiated contract in accordance with existing laws, rules and regulations. The head of office/agency/corporation shall endorse the same to the Secretary concerned, as the case may be, for approval.

j. Normally, within thirty (30) calendar days from the date the evaluation of bids shall have been completed, a decision on the results of the bid evaluation should be made. If the decision is to award the contract, the notice of award should be issued normally within seven (7) calendar days from the date the decision to award is made. For foreign-assisted projects, the decision to award the contract should be transmitted to the concerned foreign financial institution for concurrence as may be required normally within seven (7) calendar days from the date the decision to award is made. Likewise, the notice of award should be issued by the concerned implementing agency normally within seven (7) calendar days from the date the concurrence of the concerned foreign financial institution shall have been secured. The successful bidder or his duly authorized representative should execute the contract with the office/agency/corporation concerned normally within fifteen (15) calendar days from receipt of the notice of award.
To guarantee the faithful performance of the contractor under the contract, he shall post upon the signing of the contract a performance security in the form of cash, manager's check, cashier's check, bank draft/guarantee confirmed by a local bank (in the case of foreign contractor bonded by a foreign bank) letter of credit issued by a reputable bank, surety bond, callable on demand, issued by the Government Service Insurance System or by surety or insurance companies duly accredited by the Office of the Insurance Commissioner, or a combination thereof, in accordance with the following schedule:

1. **Cash, manager's check, cashier's check, irrevocable letter of credit, bank draft** — five percent (5%) of the total contract price

2. **Bank guarantee** — ten percent (10%) of the total contract price

3. **Surety bond** — Thirty percent (30%) of the total contract price.

This performance security shall be posted in favor of the office/agency/corporation concerned and shall guarantee the payment of the amount of the security as penalty in the event it is established that the contractor is in default in his obligation thereunder.

In the execution of the performance security, the following conditions shall be complied with:

1. It shall be executed in accordance with the form prescribed therefor.

2. It shall be at least co-terminous with the final completion of the project.

3. The following provisions shall form part of the performance security: "The right to institute action on the penal bond pursuant to Act No. 3688 of any individual firm, partnership, corporation and association supplying the contractor with labor and material for the prosecution of the work is hereby acknowledged and confirmed."

Subject to the conditions of the contract, the performance security may be released by the office/agency/corporation concerned after the issuance of the Certificate of Completion of the project, provided that there are no claims for labor and materials filed against the contractor or the surety company.

Should any surety upon the bond for the performance of the contract become unacceptable to the Government, the contractor shall promptly furnish such replacement security as may be required from time to time up to the sum equal to the amount of the original surety.

The contractor shall post an additional performance security to cover any cumulative increase of more than ten percent (10%) over the original value of the contract as a result of adjustments in unit prices, and/or change orders, extra work orders and supplemental agreements. The contractor shall cause the extension of the validity of the performance security bond to cover approved contract time extensions.

In case of a reduction in the contract value and for partial utile work completed by the contractor and accepted by the Government and which in the judgment of the implementing
department/agency/corporation concerned shall not affect the structural integrity of the entire project, the agency/office/corporation concerned shall allow a proportional reduction in the original performance security, provided that any such reduction is more than ten percent (10%) and that the aggregate of such reductions is not more than fifty percent (50%) of the original performance security.

SECTION 563. Awarding of negotiated contract. — The award of negotiated contracts shall be in conformance with these:

a. Negotiated contract may be entered into only where any of the following conditions exist and the implementing office/agency/corporation is not capable of undertaking the project by administration:

1. In times of emergencies arising from calamities where immediate action is necessary to prevent imminent loss of life and/or property.

2. Failure to award the contract after competitive public bidding for valid cause or causes.

3. Where the subject project is adjacent or contiguous to an ongoing, project and it could be economically prosecuted by the same contractor, in which case, direct negotiation may be undertaken with the said contractor at the same unit prices adjusted to price levels prevailing at the time of negotiation using the parametric formulae herein prescribed without the 5% deduction and contract conditions, less mobilization cost, provided that he has no negative slippage and has demonstrated a satisfactory performance.

4. For contracts terminated in accordance with the provisions of Presidential Decree No. 1870 (authorizing the government’s take-over by administration of delayed infrastructure projects or awarding of the contract to other qualified contractors) or similar laws or Section 574-c and d (liquidated damages) hereof.

In cases 1 and 2 above, bidding may be undertaken through sealed canvass of at least three (3) qualified contractors. For case 4, contract may be negotiated with the second lowest bidder for the project under consideration at the bidder’s original bid price escalated to date of contract negotiation using the parametric formulae contained herein reckoned from the date of bidding, or bidding may be undertaken through sealed canvass of at least three (3) qualified bidders. Authority to negotiate contracts for projects under these exceptional cases shall be subject to prior approval by heads of agencies within their limits of approving authority.

b. Bona fide contractors whose ARC-C, Pre-C and other prequalification papers are on file with the CIAP and/or the office/agency/corporation concerned and who have been classified under the type of project where the subject contract falls are eligible to be invited for negotiation. Other contractors not previously prequalified may also be accepted for prequalification for the subject project.

c. Contractor(s) duly prequalified for the project under consideration shall be furnished copies of the Instructions to Offerors, Plans, Specifications, Proposal Book Form, and other Tender Documents for
their use in submitting their quotation and other information called for in the format. The contractors shall submit, simultaneously with their quotation, the Bid Bond as stipulated above.

d. Negotiation may be made with the complying offerors in ascending order starting from the lowest complying offeror.

SECTION 564. Miscellaneous provision. — The Government assumes no obligation whatsoever to compensate or indemnify the bidders for any expenses or loss that they may incur in the preparation of their bid nor does the Government guarantee that an award will be made.

SECTION 565. Administrative sanctions. — The following administrative sanctions shall be imposed for offenses/violations of contractors in the prequalification and bidding:

a. Suspension for one (1) year for first offense, disqualification for two (2) years for the second offense and perpetual disqualification for succeeding offenses for:

1. Misrepresentation of any information or concealment of a material fact in the sworn prequalification statements and/or bids.

2. Submission of bids and/or detailed estimates that are identical to each other or to the Approved Agency Estimates.

3. Other acts of the contractors which directly or indirectly tend to defeat the purpose of public bidding.

b. Forfeiture of bid security for first offense, and suspension of one (1) year for second offense, and perpetual disqualification for succeeding offense for refusal or failure of the proposed awardee to enter into contract, or failure to post the required performance security within the prescribed time.

SECTION 566. Approval of awards and contracts. — The head of the infrastructure department concerned or his duly authorized representatives shall approve awards and contracts that are funded and/or implemented by that department including agencies under or attached to it, within the limits of their approving authority.

Awards and contracts implemented by both infrastructure and non-infrastructure agencies shall be approved by their respective Secretaries or, in the case of agencies not attached to any department, by the head of office concerned within the limits of the approving authority granted them by the President of the Philippines.

Beyond the limits of the approving authority of the above-mentioned officials, awards and contracts shall be submitted to the President of the Philippines or his authorized representative for approval. In no case shall award of contracts be made beyond the bid security validity period as specified in the instructions to bidders. In no case shall the contractor be compelled to accept the award beyond the said validity period.
Contracts should normally be approved/disapproved by the head of office/agency/corporation concerned in accordance with existing laws, rules and regulations within fifteen (15) calendar days from the date the successful bidder or his duly authorized representative shall have executed the contract with the office/agency/corporation concerned and submitted all documentary requirements to perfect the contract foremost of which is the performance security. For contracts requiring the approval by the Office or the President, the same should normally be approved/disapproved within thirty (30) calendar days from the date that request for approval of such contracts shall have been received by the Office of the President.

The concerned government office/agency/corporation should issue the Notice To Proceed (NTP) to the successful bidder normally not later than fifteen (15) calendar days from the date of approval of the contract by the concerned/authorized government official.

For projects whereby the NTP is issued after 120 calendar days from the bidding date, the awarded bidder may request for a contract unit price adjustment using the parametric formulae updated to the month of the NTP. Computation of the unit price adjustment shall be the original contract unit price multiplied by the fluctuation factor K without deducting the 5%. Such updated unit prices shall be used as basis for computing the regular progress billings, and price escalation for work accomplishment shall be calculated using the parametric formulae herein prescribed as applied to the updated unit reckoned from the month of the NTP. Adjustment of unit prices shall be made within fourteen (14) calendar days, from the date the required indices are available/issued by the appropriate government agency.

All government tendering agencies shall submit to the NEDA Committee on Infrastructure (INFRACOM), for monitoring purposes, the list of all contracts involving contract costs of P10 Million and above, approved by their appropriate authorities, indicating such milestones as dates of advertisement, opening of bids, evaluation of bids, submission to the concurrence of foreign financial institutions, award of contracts, approval of contracts and notice to proceed normally within fifteen (15) calendar days from the date of notice to proceed.

SECTION 567. Documents comprising the contract and its supporting papers. — The following documents shall form part of the contract:

a. Contract Agreement
b. Conditions of Contract
c. Drawings/Plans
d. Specifications
e. Invitation to Bid
f. Instructions to Bidders
g. Addenda
h. Bid Form including the following Annexes:

1. Authority of the signing official  
2. Bid prices in the bill of quantities  
3. Detailed estimates  
4. Construction schedule and S-Curve  
5. Construction methods  
6. Project organizational chart  
7. Manpower schedule  
8. Equipment utilization schedule and duly executed contract of lease of all equipment and machineries which shall be intended for use exclusively for the project, if any  
9. Cash flow by quarter and payments schedule  
10. Affidavit of site inspection

Performance security

Prequalification statements

k. Credit line issued by an authorized bank in an amount equal to the average operating expenses of the project for two (2) months or ten percent (10%) of the total project cost, whichever is less.

l. Notice of award of contract and contractor's "Conforme" thereto

m. Other contract documents that may be required by the office/agency/corporation concerned.

To facilitate the approval of the contract, the following supporting documents shall be submitted:

a. Duly Approved Program of Work and Cost Estimates  
b. Certificate of Availability of Funds  
c. Approved Agency Estimate (AAE) and Allowable Government Estimate (AGE)  
d. Abstract of Bids  
e. Resolution of the PBAC or the PBAC recommending Award  
f. Approval of Award by Approving Authority  
g. Concurrence of Lending Institution in case of Foreign — Assisted Projects
h. Other pertinent documents as may be reasonably required by existing laws.

SECTION 568. Variation orders — change order/extra work order/ supplemental agreement. — Some rules are the following:

a. A Change Order may be issued by the implementing official after the same has been approved by the appropriate official if the amount of the change order is within the limits of the former’s authority to approve original contracts and under the following conditions:

1. Where the aggregate cost of Change order(s) is limited to 25% of the original contract cost excluding the effects of price escalation and provided that no major pay item (i.e., pay item which represents at least 20% of total estimated cost of the contract) shall be increased by more than 100% of its original cost. Change Orders exceeding 25% of the original contract price may be covered by a Supplemental Agreement. In the case of a repeat order, the Change Order should not exceed 100% of the escalated original contract price and the same shall be covered by a Supplemental Agreement. All Change Orders beyond 100% of escalated original contract price shall be subject to public bidding except where inseparable from the original scope of the project in which case negotiation with the incumbent contractor may be allowed, subject to approval by the appropriate authorities. All Change Orders shall be subject to price adjustment in accordance with duly approved guidelines.

2. Where there is a decrease in work due to deletion of work items or sections of the project.

3. Where there is a reclassification of an existing item, like earth excavation to solid rock excavation, due to latent conditions which where not known at the time of the bidding.

4. Where there is damage to structure and/or destruction of finished work in any section of the project due to force majeure or causes beyond the control of man.

The increase/decrease in quantities or reclassification items is usually due to change of plans, design or alignment to suit actual field conditions, or as a result of great disparity between the preconstruction plans used for purposes of bidding and the "as staked plans" or construction drawings prepared after a joint survey by the contractor and the Government after award of the contract.

b. For a unit-price contract, quantity overruns or underruns of not more than fifteen percent (15%) of the estimates per major pay item and twenty five percent (25%) per minor pay item in the Bill of Quantities need not be covered by a Change Order provided that the same is authorized by the approving authority for the contract.

c. An Extra Work Order may be issued by the implementing official after the same has been approved by the appropriate official if the amount of the Extra Work Order is within the limits of the former’s authority to approve original contracts and under the following conditions:

1. Where there are additional works needed and necessary for the completion, improvement or protection of the project which were not included as items of work in the original contract.
2. Where there are subsurface or latent physical conditions at the site differing materially from those indicated in the contract beyond the limit of the Change Order.

3. Where there are unknown physical conditions at the site of an unusual nature differing materially beyond the limits of Change Order from those ordinarily encountered and generally recognized as inherent in the work or character provided for in the contract.

4. Where there are duly approved construction drawings or any instruction issued by the implementing office/agency during the term of contract which involve extra cost.

d. As an absolute rule, Change Orders or Extra Work Orders should be issued only for addition/deletions of works necessary for the completion of the project and, therefore, should be within the limits stated above and the general scope of the project as bid and awarded.

e. Change Orders or Extra Work Orders may be issued on a contract upon the approval of competent authorities provided that the cumulative amount of such Change Orders or Extra Work Orders does not exceed the limits of the former’s authority to approve original contracts.

f. A separate Supplemental Agreement may be entered into for all Change Orders and Extra Work Orders if the aggregate amount exceeds 25% of the escalated original contract price. A Supplemental Agreement may likewise be entered into for works immediately beyond the project limits but are immediately abutting the project under the same terms and conditions as the original contract provided that it does not exceed 100% of the escalated original contract price less than the cost of mobilization and provided further that funds are certified as available and subject to approval by appropriate authority.

g. Any Variation Order (Change Order or Extra Work Order) shall be subject to the escalation formula used to adjust the original contract price less the cost of mobilization. In claiming for any Variation Order, the contractor shall, within seven (7) calendar days after such work has been commenced or after the circumstances leading to such condition(s) leading to the extra cost, and within 28 calendar days, deliver a written communication giving full and detailed particulars of any extra cost in order that it may be investigated at that time. Failure to provide either of such notices in the time stipulated shall constitute a waiver by the contractor of any claim. The guidelines for the preparation and submission of Change Orders, Extra Work Orders or Supplemental Agreements are as follows:

1. If the Project Engineer believes that a Change Order, Extra Work Order, or Supplemental Agreement should be issued, he shall prepare the proposed Order or Supplemental Agreement together with the notices submitted by the contractor, the plans therefor, his computations as to the quantities of the additional work involved per item indicating the specific stations where such works are needed, the date of his inspections and investigations thereon, and the log book thereof, and a detailed estimated of the unit cost of such items of work, together with his justifications for the need of such Change Order, Extra Work Order or Supplemental Agreement, and shall submit the same to the Regional Director of office/agency/corporation concerned.
2. The Regional Director concerned, upon receipt of the proposed Change Order, Extra Work Order of Supplemental Agreement shall immediately instruct the technical staff of the Region to conduct an on-the-spot investigation to verify the need for the work to be prosecuted. A report of such verification shall be submitted directly to the Regional Director concerned.

3. The Regional Director concerned after being satisfied that such Change Order, Extra Work Order or Supplemental Agreement is justified and necessary, shall review the estimated quantities and prices and forward the proposal with the supporting documentation to the head of office/agency/corporation for consideration.

4. If, after review of the plans, quantities and estimated unit cost of the items of work involved, the proper office/agency/corporation committee empowered to review and evaluate Change Orders, Extra Work Orders or Supplemental Agreements recommends approval thereof, the head of office/agency/corporation, believing the Change Order, Extra Work Order or Supplemental Agreement to be in order, shall approve the same. The limits of approving authority for any individual, the aggregate of Change Orders, Extra Work Orders or Supplemental Agreements for any project of the head of office/agency/corporation shall not be greater than those granted for an original project.

SECTION 569. Extra work costing. — The government may, at any time by written order and without notice to the Sureties, direct the contractor to perform extra work necessary to and within the General Scope of the Contract. The contractor shall promptly proceed with the extra work involving an increase of less than twenty five percent (25%) of the original contract price or adjusted original contract price. The contractor shall be paid on the basis of the unit prices indicated in the original contract price or adjusted original contract price for work items similar to those in the original contract. If the contract does not contain any rate applicable to the additional or extra work, then suitable prices shall be agreed upon by the Government and the contractor. In the case of extra work involving an increase of twenty five percent (25%) or more of the original contract price or adjusted original contract price, to be covered by a supplemental agreement, the price shall be agreed upon by the parties covering the entire extra work, under any of the following methods:

a. By applicable unit prices contained in the original price or adjusted original contract price for like work.

b. By cost-plus percentage basis where the cost represents the expenses incurred, exclusive of profit and contractor's tax, while the plus represents a certain percentage of the cost which shall not exceed fifteen percent (15%). The contractor shall be reimbursed for all actual necessary costs, as determined by:

1. his direct labor costs;
2. all materials used in the extra work;
3. all supplies, fuel, lubrications, power and other incidentals;
4. a reasonable base equipment rental for use of his construction equipment; and
5. current rental rates for use of construction equipment not owned by the contractor.

If the parties are unable to agree on any of the modes of payment specified in sub-section (a), the extra work shall be done on a cost-plus percentage basis described in sub-section (b) above.

The cost of the extra work done shall be submitted at intervals to be determined by the Project Engineer in a satisfactory form which shall be approved or adjusted at once by the Government. Request for payment by the contractor for any extra work shall be accompanied by a statement, with the approved supporting forms, giving a detailed accounting and record of amount for which he claims payment. Said request for payment shall be included with the contractor's statement for progress payment.

SECTION 570. Conditions under which contractor is to start work under variation orders and receive payments. — Under no circumstances shall a contractor proceed to commence work under any Change Order, Extra Work Order or Supplemental Agreement unless it has been approved by the Secretary or his duly authorized representative. Exceptions to the preceding rule are the following:

a. The Regional Director may, subject to the availability of funds, authorize the immediate start of work under, any Change or Extra Work Order under any or all of the following conditions:

1. In the event of an emergency where the prosecution of the work is urgent to avoid detriment to public service, or damage to life and/or property; and/or

2. When time is of the essence; provided, however, that such approval is valid on work done up to the point where the cumulative increase in value of work on the project which has not yet been duly approved does not exceed five percent (5%) of the total original contract price, or P500,000 which ever is less; provided, further, that immediately after the start of work, the corresponding Change/Extra Work Order shall be prepared and submitted for approval in accordance with the above rules herein set. Payments for works satisfactorily accomplished on any Change/Extra Work Order may be made only after approval of the same by the Secretary or his duly authorized representative.

b. For a Change/Extra Work Order involving a cumulative amount exceeding fifteen percent (15%) of the original contract price or original adjusted contract price, no work thereon may be commenced unless said Change/Extra Work Order has been approved by the Secretary or his duly authorized representative.

SECTION 571. Advance Payment. — Advance payment may be made under the following rules:

a. The government shall, upon a written request of the contractor or as provided in the contract, make an advance payment to the contractor in an amount equal to fifteen percent (15%) of the total contract price, to be made in lump sum or, at the most, two installments according to a schedule specified in the Instructions to Bidders and other relevant Tender Documents.

b. The advance payment shall be made only upon the submission to and acceptance by the Government of an irrevocable standby letter of credit of equivalent value from a commercial bank or a
guaranty payment bond, callable on demand, issued by a surety or insurance company duly licensed by
the office of the Insurance Commissioner and confirmed by the implementing agency.

c. The advance payment shall be repaid by the contractor by deducting 20% from his periodic
progress payments, with the first repayment to be made when the contract value of the work executed
and materials delivered shall equal or have exceeded twenty percent (20%) of the contract price and
further refunds shall be done thereafter at monthly intervals. The first work accomplishment equivalent
to 20% of the contract price shall not be subject to 20% deduction.

d. The contractor may reduce his standby letter of credit or guarantee instrument by the amounts
refunded by the Monthly Certificates in the advance payment.

SECTION 572. Progress payment. — Once a month or for an accomplishment of at least P1.0 million,
the contractor may submit a request for payment for work accomplished. Such request for payment
shall be verified and certified by the Government project engineer. Except as otherwise stipulated in the
Instructions to Bidders, materials and equipment delivered on the site but not completely put in place
shall not be included for payment.

The government shall have the right to deduct from the contractor's progress billing such amount as
may be necessary to cover third party liabilities, as well as uncorrected discovered defects in the project.

SECTION 573. Retention money. — Progress payments are subject to retention of ten percent (10%)
referred to as the "retention money." Such retention shall be based on the total amount due to the
contractor prior to any deduction and shall be retained from every progress payment until fifty percent
(50%) of the value of works, as determined by the Government, are completed. If, after fifty percent
(50%) completion, the work is satisfactorily done and on schedule, no additional retention shall be
made; otherwise, the ten percent (10%) retention shall be imposed.

The total "retention money" shall be due for release upon final acceptance of the works. The contractor
may, however, request for the substitution of the retention money for each progress billing with surety
bonds callable on demand of amounts equivalent to the retention money substituted for and acceptable
to the government, provided that the project is on schedule and is satisfactorily undertaken. Otherwise,
the ten percent (10%) retention shall be made. Said surety bonds, to be posted in favor of the
government, shall be valid for a duration to be determined by the concerned government/implementing
agency and will answer for the purpose for which the ten percent (10%) retention is intended, i.e. to
cover uncorrected discovered defects and third party liabilities.

SECTION 574. Liquidated damages. — Liquidated damages may be recovered under these rules:

a. Where the contractor refuses or fails to satisfactorily complete the work within the specified
contract time, plus any time extension duly granted and is thereby in default under the contract, the
contractor shall pay the Government for liquidated damages, and not by way of penalty, an amount to
be determined in accordance with the following formula for each calendar day of delay, until the work is
completed and accepted or taken over by the Government:
LD = $0.75 \times CP/CT$

WHERE

LD = Amount of Liquidated damages for each calendar day of delay

CP = Total contract price minus the value of the completed portions of the contract certified by the government office concerned as usable as of the expiration of the contract time, in pesos.

CT = Contract time reckoned in days

b. To be entitled to such liquidated damages, the Government does not have to prove that it has incurred actual damages. Such amount shall be deducted from any money due or which may become due the contractor under the contract and/or from the performance bond of the contractor or contractor’s surety, whichever is convenient to the Government.

c. In case the delay in the completion of the work exceeds a time duration equivalent to twenty percent (20%) of the specified contract time plus any time extension duly granted to the Contractor, the office/agency/corporation concerned may forfeit the contractor’s performance security and take over the prosecution of the project or award the same to a qualified contractor through negotiated contract.

d. In no case, however, shall the total sum of liquidated damages exceed fifteen percent (15%) of the total contract price, in which event the contract shall automatically be taken over by the office/agency/corporation concerned, or award the same to a qualified contractor through negotiation, and the erring contractor’s performance security shall be forfeited. The amount of the forfeited performance security shall be aside from the amount of the liquidated damages that the contractor shall pay the government under the provisions of this clause.

e. For terminated contracts where negotiation will be undertaken, the procedures prescribed under Sec. 563 (a) shall be adopted.
SECTION 575. Incentive bonus. — For major and urgent projects, except for negotiated contracts, and provided that the Instructions to Bidders and other Tender and Contract Documents so prescribe, if the contractor completes the contract works ahead of schedule without any suspension order effected or extension of contract time granted, he may be given a bonus for saving the Government additional expenses for engineering, inspection services and for allowing the Government the early use of the completed facilities, in an amount to be determined in accordance with the following formula but not to exceed ten percent (10%) of the contract price:

\[ \text{IB} = 0.75 \times \text{VWA} \]

Where

| IB | Total amount of incentive bonus |
| VWA | Value of works accomplished ahead of time |

The completion of a project ahead of schedule shall also considered a "plus-factor" in favor of the contractor in assessing/evaluating the prequalification for future projects.

SECTION 576. Suspension of work. — The government or its duly authorized representative shall have the authority to suspend the work, wholly or partly, by written order for such period as may be deemed necessary, due to force majeure or any fortuitous events, or for failure on the part of the contractor to correct bad conditions which are unsafe for workers or for the general public, to carry out valid orders given by the Government or to perform any provisions of the contract, or due to adjustment of plans to suit field conditions as found necessary during construction. The contractor shall immediately comply with such order to suspend the work wholly or partly.

The contractor or its duly authorized representative shall have the right to suspend work operation on any or all projects/activities along the critical path of activities after fifteen (15) calendar days from date of receipt of written notice from the contractor to the district engineer/regional/director/consultant, as the case may be, due to the following:

a. There exist right-of-way problems which prohibit the contractor from performing work in accordance with the approved construction schedule.

b. Requisite construction plans which must be owner-furnished are not issued to the contractor precluding any work called for by such plans.

c. Peace and order conditions make it extremely dangerous, if not impossible, to work. However, this condition must be certified in writing by the Philippine National Police (PNP) station which has responsibility over the affected area and confirmed by the Department of Interior and Local Government (DILG) Regional Director.

d. There is failure on the part of the government to deliver government-furnished materials and equipment as stipulated in the contract.
e. Delay in the payment of contractor's claim for progress billing and/or price escalation beyond forty-five (45) calendar days from the time the contractor's claim has been certified to by the implementing agency’s authorized representative that the documents are complete unless there are justifiable reasons thereof which shall be communicated in writing to the contractor.

In case of total suspension, or suspension of activities along the critical path, which is not due to any fault of the contractor, the elapsed time between the effective order of suspending operation and the order to resume work shall be allowed the contractor by adjusting the contract time accordingly.

SECTION 577. Extension of contract time. — Should the amount of additional work of any kind or other special circumstances of any kind whatsoever occur such as to fairly entitle the contractor to an extension of contract time, the Government shall determine the amount of such extension, provided that the Government is not bound to take into account any claim for an extension of time unless the contractor has, prior to the expiration of the contract time and within thirty (30) calendar days after such work has been commenced or after the circumstances leading to such claim have arisen, delivered to the Government notices in order that it could have investigated them at that time. Failure to provide such notice shall constitute a waiver by the contractor of any claim therefor. Upon receipt of full and detailed particulars, the Government shall examine the facts and extent of the delay and shall extend the contract time for completing the contract work when, in the Government’s opinion, the findings of facts justify an extension.

No extension of contract time shall be granted the contractor due to (1) ordinary unfavorable weather conditions (2) inexcusable failure or negligence of contractor to provide the required equipment, supplies or materials, or (3) other causes for which Government is not directly responsible. Extension of contract time may be granted only when the affected activities fall within the critical path of the PERT/CPM network.

No extension of contract time shall be granted when the reason given to support the request for extension was already considered in the determination of the original contract time during the conduct of detailed engineering and in the preparation of the contract documents as prescribed in the last paragraph of Sec. 546 as agreed upon by the parties before contract perfection.

Extension of contract time shall be granted for rainy/unworkable days considered unfavorable for the prosecution of the works at site, based on the actual conditions obtained at the site, for such period in excess of the number of rainy/unworkable days pre-determined by the government in accordance with the last paragraph of Sec. 546 and/or for the equivalent period of delay due to major calamities such as exceptionally destructive typhoons, floods and earthquakes, and epidemics, and for causes such as non-delivery on time of materials, working drawings, or written information to be furnished by the Government, non-acquisition of permit to enter private properties within the right-of-way resulting in complete paralysis of construction activities, and other meritorious causes as determined by the Government’s authorized Engineer and approved by the Government. Shortage of construction material, general labor strikes, and peace and order problems that disrupt construction operations through no fault of the contractor may be considered as additional grounds for extension of contract
time provided they are publicly felt and certified by appropriate government agencies such as DTI, DOLE, DILG and DND, among others. Provided, further, that the written consent of bondsmen must be attached to any request of the contractor for extension of contract time and submitted to the Government for consideration and that the validity of the Performance Bond shall be correspondingly extended.

SECTION 578. Contract price escalation. — The following guidelines for the computation and payment of price escalation which were approved by the President of the Philippines on August 27, 1980, as modified in the following paragraphs, shall be used in all infrastructure contracts:

a. These guidelines for the computation and payment of price escalations shall apply to existing infrastructure contracts (as of August 27, 1980), where a specific price escalation clause is not provided therein or where there is no specified methodology for calculation of price escalation. All infrastructure contracts entered into after the date of effectivity of these guidelines (August 27, 1980) shall employ the escalation method provided for in these guidelines. Equipment supply contracts, whether or not included as an integral part of the infrastructure contract, shall not be covered by this provision.

b. The respective implementing offices shall determine all price escalation in accordance with these guidelines.

c. A committee shall be created by the NEDA Committee on infrastructure which shall review periodically the parametric formulae for the computation of the contract price escalation herein specified and shall revise the same whenever necessary, such revisions to be made effective upon the approval of the NEDA Committee on Infrastructure. The revised/updated parametric formulae, if any, shall apply to works to be accomplished on a project after the effectivity/approval of revisions.

d. For projects with remaining balances of work as of February 1, 1976, the Contract Price Adjustment Committee (CPAC) shall complete the determination of adjusted unit prices as determined by CPAC multiplied by 1.05 as if they were the original contract. For projects without any balances of work, and not started as of February 1, 1976, the original unit prices of the contract as set forth in Section 579 (e) shall be used.

e. For on-going contracts and contracts bid out but yet unawarded as of 31 December 1990, the unit prices for the remaining balance of work based on the approved/revised construction schedule, including any time extension granted, shall be updated using the current parametric formulae to January 1991 prices with the original unit prices multiplied by the fluctuation factors without the 5% deduction. Such updated unit prices as of 01 January 1991 shall be used as basis for computing regular progress billings thereafter. Any price escalation after 01 January 1991 shall be calculated using the new parametric formulae herein prescribed as applied to the updated unit prices as of 01 January 1991.

f. All price escalation to be granted may be approved by the Secretary or head of agency/office/corporation concerned in accordance with Section 8 of PD 1594 to become effective except for those recommended by CPAC for escalation in contract unit prices up to price levels as of February 1, 1976 where the old CPAC guidelines were used, and which must be forwarded to the Office
of the President for approval before they become effective. Payments for price escalation on works accomplished on a project beginning January 1, 1990 may be made by the Secretary and/or agency head concerned irrespective of the amount involved. For works accomplished to January 1, 1990, payments for price escalation may be made by the secretary/agency head concerned within the limits of authority specified below, without need of requesting special allotments therefor if provision had been made in the project funding for escalation up to such limits as applied to the original unit prices:

Limits

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<tr>
<th>Agency Official</th>
<th>Percent Per Annum</th>
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1. Infrastructure
   Department     Secretary     Up to Thirty (30)

2. Corporation
   (I) Head of Corporation
   attached to an Infrastructure
   Department (II) Secretary Exceeding Eighteen (18)
   Up to Thirty (30)

3. Corporation
   (I) Governing Board of the (18)
   not attached to an infrastructure Corporation
   Department but (II) Infrastructure Secretary Exceeding Eighteen (18)
Board includes Up to Thirty
an Infrastructure Secretary (30)
and where the contract involved is relevant to his scope of work

4. Non-Infrastructure Secretary Up to Eighteen Department (18)

5. Corporation/Governing Agency not Board of the (18)
   included in Corporation/
   above categories Agency

Escalation rates exceeding the above stated limits of authority may be considered for payment chargeable to project funds or to appropriations for the purpose, provided that there is an express authority for payment from the Office of the President.

g. Escalation of prices for work accomplishment on infrastructure construction, rehabilitation and/or improvement projects shall be made periodically, using a parametric formula as described below, to compensate for fluctuation of prices of construction supplies and materials, equipment and labor which would bring about during the period under consideration an increase or decrease of more than five percent (5%) of the original contract unit price of items of work.

h. Price escalation shall be reckoned from the month of bidding of the project and shall be allowed for every progress billing. When the contract has not been the subject of competitive bidding, price escalation shall be reckoned from the month agreed upon in the contract and shall be granted for every progress billing. For construction and related materials under government controlled prices, the computation of price escalation shall be reckoned from the actual date of bidding of the project, or the actual date agreed upon in the contract when the contract has not been subject of competitive bidding.
In all cases, price escalation shall apply only to the work done within the period for which the price escalation was determined.

i. In case the project is behind schedule by more than five percent (5%) from the approved PERT/CPM network on the date when computation of price escalation is scheduled, computation on such portion of the work that should have been, but was actually, accomplished within the period (in accordance with the PERT/CPM network) shall be reckoned on the basis of the escalation rate applicable during the period in which it should have been accomplished. Payments of the of the computed amount shall not be made until the project activities for the period under consideration as covered by such amount are completed. This shall not in any way affect the final date of completion.

j. Payments for price escalation of work accomplished within the period shall be based on actual escalation amount computed in accordance with appropriate indices provided for in the formula under this clause or as expressly stipulated in the contract.

k. In case of some project where advance payment for mobilization purposes and/or purchases of supplies and materials is made, it is only fair to the Government that price escalation shall not be made on the items of work or components thereof to which such advance payments are applied, since these monies are received by the contractor in advance and may be used for the payment of expenditures in connection with the prosecution of the project. Hence, in calculating price escalation for contracts entered into after the effectivity of these guidelines, no price escalation shall be made for:

1. That portion of work accomplished during the period corresponding to a value equal to the amount of a recoupment of advance payment. For example, if during the 6-month period under consideration, ten percent (10%) of the amount payable to the contract was recouped to recover advance payment, ten percent (10%) likewise of the price escalation calculated to be otherwise payable shall be deducted from the price escalation.

2. That amount of materials for which advance payment is made. Usually such advance payment when made is equal to seventy-five percent (75%) of the cost of material purchased therefrom. Since the funds were logically used or conclusively presumed to have been used by the contractor to purchase materials which he otherwise would not be able to purchase at the same price, it is not fair to the Government that he should both profit from making such advance purchases and at the same time enjoy interest-free use of such funds. In those cases where the contractor enjoys such advance payments, an interest charge of one and one-fourth percent (1-1/4%) per month on the outstanding balance, shall be imputed from the time he receives the advance payment, and the equivalent amount deducted from the next succeeding price escalation payment in lieu of deducting the portion of price escalation corresponding to such materials. No payment of imputed interest charge under this paragraph shall be collected in excess of price escalation payment for the period.

SECTION 579. Fluctuation factor. — The fluctuation factor, its concept, and applications are hereunder explained.
a. The fluctuation Factor, \( K \), is the coefficient representing the increase or decrease of the unit price as a result of price fluctuations.

The value of the \( K \) varies for each item of work and is represented by the following:

\[
K = a + b \left( \frac{X_i}{X_o} \right) + c \left( \frac{Y_i}{Y_o} \right) + d \left( \frac{Z_i}{Z_o} \right) + \ldots + n \left( \frac{N_i}{N_o} \right)
\]

Where:

- \( a \) is a 0.15 fixed coefficient representing contractor's profit, and other non-adjustable items.

- \( b, c, d, \ldots, n \) are the coefficients representing the proportionate value of each pay item to the total. Thus, \( b + c + d \ldots + n = 0.85 \).

- \( X_i, Y_i, Z_i, \ldots, N_i \) are the current price indices representing costs of labor, materials and other contract items after bidding or, where the contract has not been the subject of competitive bidding, after the date agreed upon in the contract, and every month thereafter.

- \( X_o, Y_o, Z_o, \ldots, N_o \) are the price indices representing costs of labor, materials and other contract items at the date of the bidding, or where the contract has not been the subject of competitive bidding, at the date agreed upon in the contract.
The sum of a + b + x . . . n must be equal to 1.00 (100%)

b. The fluctuation factor and its application in the parametric formula shall include, among others, any or a combination of the following:

1. Common earthwork fluctuation factor for clearing and grubbing subgrade preparation, common excavation, common borrow, embankment construction, common fill or backfill and select borrow.

\[ K_1 = 0.15 + 0.05 \left( \frac{L_i}{L_o} \right) + 0.60 \left( \frac{E_i}{E_o} \right) + 0.20 \left( \frac{F_i}{F_o} \right) \]

2. Rock Excavation Fluctuation Factor

\[ K_2 = 0.15 + 0.08 \left( \frac{L_i}{L_o} \right) + 0.27 \left( \frac{Z_i}{Z_o} \right) + 0.12 \left( \frac{F_i}{F_o} \right) + 0.38 \left( \frac{E_i}{E_o} \right) \]

3. Structural Excavation Fluctuation Factor

\[ K_3 = 0.15 + 0.08 \left( \frac{L_i}{L_o} \right) + 0.19 \left( \frac{F_i}{F_o} \right) + 0.58 \left( \frac{E_i}{E_o} \right) \]

4. Structural Backfill Fluctuation Factor

\[ K_4 = 0.15 + 0.15 \left( \frac{L_i}{L_o} \right) + 0.17 \left( \frac{F_i}{F_o} \right) + 0.53 \left( \frac{E_i}{E_o} \right) \]

5. Daywork Fluctuation Factor for Equipment

\[ K_5 = 0.15 + 0.05 \left( \frac{L_i}{L_o} \right) + 0.20 \left( \frac{F_i}{F_o} \right) + 0.60 \left( \frac{E_i}{E_o} \right) \]

6. Daywork Fluctuation Factor for Labor

\[ K_6 = 0.15 + 0.85 \left( \frac{L_i}{L_o} \right) \]

7. Graded Subbase or Base Course Fluctuation Factor Using Screened or Processed Aggregate, Granular Materials, Crushed Adobe or the Like

\[ K_7 = 0.15 + 0.02 \left( \frac{L_i}{L_o} \right) + 0.62 \left( \frac{B_i}{B_o} \right) + 0.05 \left( \frac{F_i}{F_o} \right) + 0.16 \left( \frac{E_i}{E_o} \right) \]

8. Asphaltic Materials Fluctuation Factor for Prime or Tack Coat

\[ K_8 = 0.15 + 0.01 \left( \frac{L_i}{L_o} \right) + 0.82 \left( \frac{A_i}{A_o} \right) + 0.01 \left( \frac{F_i}{F_o} \right) + 0.01 \left( \frac{E_i}{E_o} \right) \]

9. Asphaltic Concrete Fluctuation Factor for Bituminous Wearing or Surface Course

\[ K_9 = 0.15 + 0.01 \left( \frac{L_i}{L_o} \right) + 0.82 \left( \frac{A_i}{A_o} \right) + 0.12 \left( \frac{B_i}{B_o} \right) + 0.03 \left( \frac{F_i}{F_o} \right) + 0.07 \left( \frac{E_i}{E_o} \right) \]

10. Portland Cement Concrete Pavement (PCCP) Fluctuation Factor

\[ K_{10} = 0.15 + 0.02 \left( \frac{L_i}{L_o} \right) + 0.47 \left( \frac{C_i}{C_o} \right) + 0.21 \left( \frac{B_i}{B_o} \right) + 0.02 \left( \frac{D_i}{D_o} \right) + 0.03 \left( \frac{F_i}{F_o} \right) + 0.01 \left( \frac{E_i}{E_o} \right) \]

11. Concrete Fluctuation Factor for Curb, Gutter and Sidewalk

\[ K_{11} = 0.15 + 0.06 \left( \frac{L_i}{L_o} \right) + 0.36 \left( \frac{C_i}{C_o} \right) + 0.16 \left( \frac{B_i}{B_o} \right) + 0.03 \left( \frac{D_i}{D_o} \right) + 0.06 \left( \frac{F_i}{F_o} \right) + 0.18 \left( \frac{E_i}{E_o} \right) \]
12. Reinforced Concrete Structures Fluctuation Factor for Bridge, Culvert, Retaining Wall, Bulkhead, Plies Precast, Parapet Wall, Railing, Footing, Columns, Supporting Slab and Beam.

\[ K_{12} = 0.15 + 0.03 \left( \frac{L_i}{L_o} \right) + 0.28 \left( \frac{C_i}{C_o} \right) + 0.13 \left( \frac{B_i}{B_o} \right) + 0.03 \left( \frac{D_i}{D_o} \right) + 0.25 \left( \frac{R_i}{R_o} \right) + 0.03 \left( \frac{F_i}{F_o} \right) + 0.10 \left( \frac{E_i}{E_o} \right) \]

13. Reinforced Concrete Structures Fluctuation Factor for Headwall, Catchbasin, Manhole, Drop Inlet Concrete Post.

\[ K_{13} = 0.15 + 0.21 \left( \frac{L_i}{L_o} \right) + 0.25 \left( \frac{C_i}{C_o} \right) + 0.03 \left( \frac{D_i}{D_o} \right) + 0.19 \left( \frac{R_i}{R_o} \right) + 0.09 \left( \frac{B_i}{B_o} \right) + 0.02 \left( \frac{F_i}{F_o} \right) + 0.06 \left( \frac{E_i}{E_o} \right) \]

14. Reinforced Concrete Pipe (RCP) or Culvert Pipe (RCCP) Fluctuation Factor

\[ K_{14} = 0.15 + 0.05 \left( \frac{L_i}{L_o} \right) + 0.61 \left( \frac{Q_i}{Q_o} \right) + 0.02 \left( \frac{C_i}{C_o} \right) + 0.01 \left( \frac{B_i}{B_o} \right) + 0.04 \left( \frac{F_i}{F_o} \right) + 0.12 \left( \frac{E_i}{E_o} \right) \]

15. Non-Reinforced Concrete Pipes Fluctuation Factor

\[ K_{15} = 0.15 + 0.13 \left( \frac{L_i}{L_o} \right) + 0.69 \left( \frac{Q_i}{Q_o} \right) + 0.02 \left( \frac{C_i}{C_o} \right) + 0.01 \left( \frac{B_i}{B_o} \right) \]

16. Concrete for Structure Class A or B Fluctuation Factor

\[ K_{16} = 0.15 + 0.03 \left( \frac{L_i}{L_o} \right) + 0.41 \left( \frac{C_i}{C_o} \right) + 0.19 \left( \frac{B_i}{B_o} \right) + 0.09 \left( \frac{D_i}{D_o} \right) + 0.04 \left( \frac{F_i}{F_o} \right) + 0.09 \left( \frac{E_i}{E_o} \right) \]

17. Grouted Rip-rap or Stone Masonry Fluctuation Factor

\[ K_{17} = 0.15 + 0.18 \left( \frac{L_i}{L_o} \right) + 0.27 \left( \frac{C_i}{C_o} \right) + 0.13 \left( \frac{B_i}{B_o} \right) + 0.07 \left( \frac{F_i}{F_o} \right) + 0.20 \left( \frac{E_i}{E_o} \right) \]

18. Concrete Masonry (CHB) Fluctuation Factor

\[ K_{18} = 0.15 + 0.33 \left( \frac{L_i}{L_o} \right) + 0.30 \left( \frac{C_i}{C_o} \right) + 0.13 \left( \frac{B_i}{B_o} \right) + 0.04 \left( \frac{F_i}{F_o} \right) + 0.04 \left( \frac{E_i}{E_o} \right) \]

19. Reinforcing Steel Bars Fluctuation Factor

\[ K_{19} = 0.15 + 0.06 \left( \frac{L_i}{L_o} \right) + 0.67 \left( \frac{R_i}{R_o} \right) + 0.04 \left( \frac{F_i}{F_o} \right) + 0.08 \left( \frac{E_i}{E_o} \right) \]

20. Structural Steel Works Fluctuation Factor

\[ K_{20} = 0.15 + 0.03 \left( \frac{L_i}{L_o} \right) + 0.71 \left( \frac{S_i}{S_o} \right) + 0.03 \left( \frac{F_i}{F_o} \right) + 0.08 \left( \frac{E_i}{E_o} \right) \]

21. Demolition of Concrete Structure Fluctuation Factor

\[ K_{21} = 0.15 + 0.07 \left( \frac{L_i}{L_o} \right) + 0.20 \left( \frac{F_i}{F_o} \right) + 0.58 \left( \frac{E_i}{E_o} \right) \]

22. Demolition of PCCP Strip Fluctuation Factor

\[ K_{22} = 0.15 + 0.09 \left( \frac{L_i}{L_o} \right) + 0.19 \left( \frac{F_i}{F_o} \right) + 0.57 \left( \frac{E_i}{E_o} \right) \]

23. Demolition AC Pavement Strip Fluctuation Factor
K23 = 0.15 + 0.05 (Li/Lo) + 0.20 (Fi/Fo) + 0.60 (Ei/Eo)

24. Painting Fluctuation Factor with Use of Equipment

K24 = 0.15 + 0.28 (Li/Lo) + 0.48 (Ni/No) + 0.02 (Fi/Fo) + 0.07 (Ei/Eo)

25. Painting Fluctuation Factor Using Labor Only

K25 = 0.15 + 0.19 (Li/Lo) + 0.66 (Ni/No)

26. Wood Structure Fluctuation Factor for Falsework, Temporary Wood Bridge, Wood Guardrail

K26 = 0.15 + 0.06 (Li/Lo) + 0.63 (Di/Do) + 0.04 (Fi/Fo) + 0.12 (Ei/Eo)

27. Carpentry Works Fluctuation Factor

K27 = 0.15 + 0.15 (Li/Lo) + 0.62 (Di/Do) + 0.02 (Fi/Fo) + 0.06 (Ei/Eo)

28. Cast and/or Galvanized Iron Pipes Fluctuation Factor

K28 = 0.15 + 0.02 (Li/Lo) + 0.78 (Ii/Io) + 0.01 (Fi/Fo) + 0.04 (Ei/Eo)

29. Steel Pipes Fluctuation Factor

K29 = 0.15 + 0.03 (Li/Lo) + 0.69 (Ii/Io) + 0.03 (Fi/Fo) = 0.10 (Ei/Eo)

30. Asbestos Cement Pipes Fluctuation Factor

K30 = 0.15 + 0.02 (Li/Lo) + 0.77 (Ki/Ko) + 0.02 (Fi/Fo) + 0.04 (Ei/Eo)

31. PVC Pipes Fluctuation Factor

K31 = 0.15 + 0.07 (Li/Lo) + 0.69 (Ii/Io) + 0.02 (Fi/Fo) + 0.07 (Ei/Eo)

32. Gate Valves and Fire Hydrants Fluctuation Factor

K32 = 0.15 + 0.04 (Li/Lo) + 0.01 (Fi/Fo) + 0.03 (Ei/Eo)

33. Check Valves Fluctuation Factor

K33 = 0.15 + 0.03 (Li/Lo) + 0.79 (Pi/Po) + 0.01 (Fi/Fo) + 0.02 (Ei/Eo)

34. Water Service Connection Fluctuation Factor

K34 = 0.15 + 0.10 (Li/Lo) + 0.40 (Pi/Po) + 0.35 (Ji/Jo)

35. Plumbing Fixtures Fluctuation Factor

K35 = 0.15 + 0.08 (Li/Lo) + 0.77 (Pi/Po)
36. Plain and Corrugated G.I. Sheets Fluctuation Factor

\[ K_{36} = 0.15 + 0.09 \left( \frac{L_i}{L_o} \right) + 0.76 \left( \frac{W_i}{W_o} \right) \]

37. Cement Plaster Fluctuation Factor

\[ K_{37} = 0.15 + 0.38 \left( \frac{L_i}{L_o} \right) + 0.37 \left( \frac{C_i}{C_o} \right) + 0.10 \left( \frac{B_i}{B_o} \right) \]

38. Marble Floor Finish Fluctuation Factor

\[ K_{38} = 0.15 + 0.07 \left( \frac{L_i}{L_o} \right) + 0.03 \left( \frac{C_i}{C_o} \right) + 0.01 \left( \frac{B_i}{B_o} \right) + 0.65 \left( \frac{X_i}{X_o} \right) + 0.03 \left( \frac{F_i}{F_o} \right) + 0.06 \left( \frac{E_i}{E_o} \right) \]

39. Glazed and Ceramic Tiles Fluctuation Factor

\[ K_{39} = 0.15 + 0.12 \left( \frac{L_i}{L_o} \right) + 0.66 \left( \frac{X_i}{X_o} \right) + 0.05 \left( \frac{C_i}{C_o} \right) + 0.02 \left( \frac{B_i}{B_o} \right) \]

40. Window Frames and Grills Fluctuation Factor

\[ K_{40} = 0.15 + 0.09 \left( \frac{L_i}{L_o} \right) + 0.53 \left( \frac{S_i}{S_o} \right) + 0.06 \left( \frac{F_i}{F_o} \right) + 0.17 \left( \frac{E_i}{E_o} \right) \]

41. Glazing Fluctuation Factor

\[ K_{41} = 0.15 + 0.03 \left( \frac{L_i}{L_o} \right) + 0.82 \left( \frac{G_i}{G_o} \right) \]

42. Electrical Rough-In Fluctuation Factor

\[ K_{42} = 0.15 + 0.16 \left( \frac{L_i}{L_o} \right) + 0.69 \left( \frac{V_i}{V_o} \right) \]

43. Lightning Fixtures & Devices Fluctuation Factor

\[ K_{43} = 0.15 + 0.13 \left( \frac{L_i}{L_o} \right) + 0.72 \left( \frac{U_i}{U_o} \right) \]

44. PVC Waterstop (9") Fluctuation Factor

\[ K_{44} = 0.15 + 0.03 \left( \frac{L_i}{L_o} \right) + 0.82 \left( \frac{J_i}{J_o} \right) \]

45. Electrical Wood Pole Fluctuation Factor

\[ K_{45} = 0.15 + 0.01 \left( \frac{L_i}{L_o} \right) + 0.79 \left( \frac{D_i}{D_o} \right) + 0.03 \left( \frac{F_i}{F_o} \right) + 0.08 \left( \frac{E_i}{E_o} \right) \]

46. Wood Crossarm Fluctuation Factor

\[ K_{46} = 0.15 + 0.11 \left( \frac{L_i}{L_o} \right) + 0.74 \left( \frac{D_i}{D_o} \right) \]

47. Lightning Arrester (3,000v to 15,000v) Fluctuation Factors authorized Government agency.

\[ K_{47} = 0.15 + 0.09 \left( \frac{L_i}{L_o} \right) + 0.76 \left( \frac{T_i}{T_o} \right) \]

48. Transformers (10 KVA to 50 KVA) Fluctuation Factor
K48 = 0.15 + 0.01 (Li/Lo) + 0.81 (Ti/To) + 0.01 (Fi/Do) + 0.02 (Ei/Eo)

49. Bare Copper Wire Fluctuation Factor

K49 = 0.15 + 0.04 (Li/Lo) + 0.79 (Ti/To) + 0.01 (Fi/Fo) + 0.01 (Ei/Eo)

50. Bare Aluminum Wire Fluctuation Factor

K50 = 0.15 + 0.13 (Li/Lo) + 0.69 (Ti/To) + 0.01 (Fi/Fo) + 0.02 (Ei/Eo)

51. Dredging Fluctuation Factor

K51 = 0.15 + 0.06 (Li/Lo) + 0.20 (Fi/Fo) + 0.59 (Ei/Eo)

52. General Construction Fluctuation Factor (for others not covered by any or combination of the above 51 fluctuation factors)

K52 = 0.15 + 0.85 (Mi/Mo)

Where:

Mi — Current General Construction Price Index Figure
Mo — Base General Construction Price Index Figure
Li — Current labor Index Figure
Lo — Base labor Index Figure
Ei — Current Equipment Index Figure
Eo — Base Equipment Index Figure
Ai — Current Asphalitic Material Price Index Figure
Ao — Base Asphalitic Material Price Index Figure
Bi — Current Aggregates material Price Index Figure
Bo — Base Aggregates Material Price Index Figure
Ci — Current Cement Material Price Index Figure
Di — Current Lumber Material Price Index Figure
Do — Base Lumber Material Price Index Figure
Di — Current Automotive Fuel Price Index Figure
Do — Base Automotive Fuel Price Index Figure
Gi — Current Glass and Glazing Material Price Index Figure
Go — Base Glass and Glazing Material Price Index Figure
Hi — Current Hardware Material Price Index Figure
Ho — Base Hardware Material Price Index Figure
Ii — Current Galvanized and/or cast Iron Pipe (Plumbing) Material Price Index Figure
Io — Base Galvanized and/or Cast Iron Pipe (Plumbing) Material Price Index Figure
Ji — Current Polyvinyl Chloride Pipe (Plumbing) Material Price Index Figure
Jo — Base Polyvinyl Chloride Pipe (Plumbing) Material Price Index Figure
Ki — Current Asbestos Cement Pipe (Plumbing) Material Price Index Figure
Ko — Base Asbestos Cement Pipe (Plumbing) Material Price Index Figure
Ni — Current Paint Material Price Index Figure
No — Base Paint Material Price Index Figure
Pi — Current Plumbing Fixture Material Price Index Figure
Po — Base Plumbing Fixture Material Price Index Figure
Qi — Current Concrete Products Material Price Index Figure
Qo — Base Concrete Products Material Price Index Figure
Ri — Current Reinforcing Steel Material Price Index Figure
Ro — Base Reinforcing Steel Material Price Index Figure
Si — Current Structural Steel Material Price Index Figure
So — Base Structural Steel Material Price Index Figure
Ti — Current Exterior Electrical Material Price Index Figure
To — Base Exterior Electrical Material Price Index Figure
Ui — Current Electrical Fixtures/Devices Material Price Index Figure
Uo — Base Electrical Fixtures/Devices Material Price Index Figure
Vi — Current Electrical (Rough-In) Material Price Index Figure
Vo — Base Electrical (Rough-In) Material Price Index Figure
Wi — Current Metal Products Material Price Index Figure
Wo — Base Metal Products Material Price Index Figure
Xi — Current Tile Work Material Price Index Figure
Xo — Base Tile Work Material Price Index Figure
Zi — Current Blasting Material Price Index Figure
Zo — Base Blasting Material Price Index Figure

c. For future contracts, the Office/Agency/Corporation concerned is authorized to update these formulae provided that such up-dated formulae shall be spelled out clearly in the contract documents and provided further that the value of the constant "a" in the factors representing the contractor's profit and other items as indicated in the contract shall be fixed at 0.15.

d. The following Price Indices shall be used:

1. General Construction Price Index as published by the National Statistics Office (NSO) or other appropriate/authorized government agency.
2. Labor Cost Index as published by the Department of Labor and Employment.
3. Equipment Index as published by the National Statistics Office (NSO) or other appropriate/authorized government agency.
4. Asphalitic Material Price Index as published by the National Statistics Office (NSO) or other appropriate/authorized government agency.
5. Aggregates Material Price Index as published by the National Statistics Office (NSO) or other appropriate/authorized government agency.
6. Cement Material Price Index as published by the National Statistics Office (NSO) or other appropriate/authorized government agency.
7. Lumber Material Price Index as published by the National Statistics Office (NSO) or other appropriate/authorized government agency.
8. Automotive Fuel Price Index as published by the National Statistics Office (NSO) or other appropriate/authorized government agency.
9. Glass and Glazing Material Price Index as published by the National Statistics Office (NSO) or other appropriate/authorized government agency.
10. Hardware Material Price Index as published by the National Statistics Office (NSO) or other appropriate/authorized government agency.

11. Galvanized and/or Cast Iron Pipe (Plumbing) Material Price Index as published by the National Statistics Office (NSO) or other appropriate/authorized government agency.

12. Polyvinyl Chloride Pipe (Plumbing) Material Price Index as published by the National Statistics Office (NSO) or other appropriate/authorized government agency.

13. Asbestos Cement Pipe (Plumbing) Material Price Index as published by the National Statistics Office (NSO) or other appropriate/authorized government agency.

14. Paint Material Price Index as published by the National Statistics Office (NSO) or other appropriate/authorized government agency.

15. Plumbing Fixture Material Price Index as published by the National Statistics Office (NSO) or other appropriate/authorized government agency.

16. Concrete Products Material Price Index as published by the National Statistics Office (NSO) or other appropriate/authorized government agency.

17. Reinforcing Steel Material Price Index as published by the National Statistics Office (NSO) or other appropriate/authorized government agency.

18. Structural Steel Material Price Index as published by the National Statistics Office (NSO) or other appropriate/authorized government agency.

19. Exterior Electrical Material Price Index as published by the National Statistics Office (NSO) or other appropriate/authorized government agency.

20. Electrical (Rough-In) Material Price Index as published by the National Statistics Office (NSO) or other appropriate/authorized government agency.

21. Electrical Fixtures/Devices Material Price Index as published by the National Statistics Office (NSO) or other appropriate/authorized government agency.

22. Metal Product Material Price Index as published by the National Statistics Office (NSO) or other appropriate/authorized government agency.

23. Tile Work Material Price Index as published by the National Statistics Office (NSO) or other appropriate/authorized government agency.

24. Blasting Material Price Index as published by the National Statistics Office (NSO) or other appropriate/authorized government agency.

25. In the absence of any price index for a specified adjustable item, the nearest related price index shall be used.
e. Price escalation shall be calculated for every whole month and the average fluctuation factor for
the month under consideration shall be used. In case the initial month of the contract duration is less
than a full month, the average fluctuation factor for that entire month shall be used; in the case the last
month of the contract duration is less than one half of a full month, the fluctuation factor for the
preceding month shall be used; and in case it is more than one half of a full month, the fluctuation factor
for that preceding month shall be used; and in case it is more than one half of a full month, the
fluctuation factor for that month shall be used. The application fluctuation factor shall then be applied
to the original contract unit price of the corresponding work item and the formula would be as follows:

Where $K > 1.05$, $P = Po (K - 0.05)$

Where $0.95 < K > 1.05$, $P = Po$

Where $K < 0.95$, $P = Po (K + 0.05)$

Where:

$P$ — is the escalated bid/unit price

$Po$ — is the original bid/unit price

$K$ — is the fluctuation factor

f. For the foreign currency component of contract prices, price escalations shall be computed
using the parametric formulae in Section 579(e) where:

$P$ — is the escalated unit price of foreign currency component or escalated amount of foreign currency
component.

$Po$ — is the original unit price of foreign currency component or original amount of foreign currency
component.

$K$ — is the fluctuation factor computed using the price indices in the foreign country source of the
specified adjustable item or the nearest related price index.

In the absence of the specific price index, the payable price escalation shall be converted to local
currency at the time of the accomplishment of the work.

g. In the computation of price escalation for the first partial progress payment, the applicable
fluctuation ($K$) factor to be adopted shall be the average of the values of the specific fluctuation factors
from the date of the issuance of notice to proceed to the first partial billing, wherein the base price
indices are those at the month of bidding for contracts subjected to competitive bidding or at the month
agreed upon in the contract when the contract has not been the subject of competitive bidding. For
construction and related materials under government controlled prices, the base price indices shall be
those at the actual date of bidding of the project, or the actual date agreed upon the contract when the
contract has not been the subject of competitive bidding.
SECTION 580. Applicability. — All provisions in this chapter shall apply to all contracts for infrastructure and other construction projects of all government agencies including government-owned or-controlled corporations and other instrumentalities except lump-sum pakyaw contracts and locally-funded projects.

(PD 1594 Implementing Rules and Regulations, as amended)

BOOK IV. CRIMES AND OFFENSES

Chapter 1. Public Officers

SECTION 581. Who are public officers — Under the Revised Penal Code, any person who, by direct provision of the law, popular election or appointment by competent authority, shall take part in the performance of public functions in the Government of the Philippines or performs in said government or in any of its branches public duties as an employee, agent, or subordinate official of any rank or class, shall be deemed to be a public officer (Art. 203, Revised Penal Code (RPC).

"Public officer" includes elective and appointive officials and employees, permanent or temporary, whether in the classified or unclassified or exempt service, receiving compensation, even nominal, from the government (Sec. 2(b), RA 3019).

"Public officials" include elective and appointive officials and employees, permanent or temporary, whether in the career or no-career service, including military and police personnel, whether or not they receive compensation, regardless of amount (Sec. 3(b), RA 6713).

The definition is quite comprehensive, embracing as it does, every public servant from the highest to the lowest. For purposes of the Penal Code, it obliterates the standard distinction in the law of public officers between "officer" and "employee"(Maniego vs. People, G.R. No. L-2971, April 20, 1951).

"Employee", when used with reference to a person in the public service, includes any person in the service of the Government or any of its agencies, divisions, subdivisions or instrumentalities (Sec. 2(15) Intro. Provs. 1987 Adm. Code).

"Officers, as distinguished from "clerk" or "employee," refers to a person whose duties, not being of a clerical or manual nature, involves the exercise of discretion in the performance of the functions of the government. When used with reference to a person having authority to do a particular act or perform a particular function in the exercise of governmental power, "officer" shall include any Government employee, agent, or body having authority to do the exercise that function (Sec. 2(14) Intro. Provs. 1987 Adm. Code).

SECTION 582. Malfeasance, misfeasance and nonfeasance in office. —

a. Malfeasance is the performance of some act which ought not be done.

b. Misfeasance is the improper performance of some act which might lawfully be done.
c. Nonfeasance is the omission of an act which ought to be performed.

SECTION 583. Prosecution of offenses: negligence and tolerance. — The penalty of prision correccional in its minimum period and suspension shall be imposed upon any public officer, or officer of the law, who, in dereliction of the duties of his office, shall maliciously refrain from instituting prosecution for the punishment of violators of the law; or shall tolerate the commission of offenses (Art. 208, RPC).

Chapter 2. Infidelity or Irregularities of Public Officers

SECTION 584. Removal, concealment, or destruction of documents. — Any public officer who shall remove, destroy, or conceal documents or papers officially entrusted to him, shall suffer:

a. The penalty of prision mayor and a fine not exceeding 1,000 pesos, whenever serious damage shall have been caused thereby to a third party or to the public interest.

b. The penalty of prision correccional in its minimum and medium periods and a fine not exceeding 1,000 pesos, whenever the damage caused to a third party or to the public interest shall not have been serious.

In either case, the additional penalty of temporary special disqualification in its maximum period to perpetual special disqualification shall be imposed (Art. 226, RPC).

The public officer must be officially entrusted with the documents or papers. The document must be complete and one by which a right could be established or an obligation could be extinguished.

SECTION 585. Officer breaking seal. — Any public officer charged with the custody of papers or property sealed by a proper authority, who shall break the seals or permit them to be broken, shall suffer the penalties of prision correccional in its minimum and a fine not exceeding 2,000 pesos (Art. 227, RPC).

It is the breaking of seals, not the opening of a closed envelope which is punished under this article.

SECTION 586. Opening of closed documents. — Any public officer not included in the provisions of the next preceding section who, without proper authority, shall open or shall permit to be opened any closed papers, documents, or objects entrusted to his custody, shall suffer the penalties of arresto mayor, temporary special disqualification, and a fine not exceeding 2,000 pesos (Art. 228 RPC).

SECTION 587. Revelation of secrets by an officer. — Any public officer who shall reveal any secret known to him by reason of his official capacity, or shall wrongfully deliver papers or copies of papers of which he may have charge and which should not be published, shall suffer the penalties of prision correccional in its medium and maximum periods, perpetual special disqualification, and a fine not exceeding 2,000 pesos, if the revelation of such secrets or the delivery of such papers shall have caused serious damage to the public interest; otherwise the penalties of prision correccional in its minimum period, temporary special disqualification, and a fine not exceeding 500 pesos shall be imposed (Art. 229 RPC).
SECTION 588. Public officer revealing secrets of private individual. — Any public officer to whom the secrets of any private individual shall become known by reason of his office shall reveal such secrets, shall suffer the penalties of arresto mayor and a fine not exceeding 1,000 pesos (Art. 230 RPC).

SECTION 589. Open disobedience. — Any judicial or executive officer who shall openly refuse to execute the judgment, decision, or order of any superior authority made within the scope of the jurisdiction of the latter and issued with all the legal formalities, shall suffer the penalties of arresto mayor in its medium period to prision correccional in its minimum period, temporary special disqualification in its maximum period, and a fine not exceeding 1,000 pesos (Art. 231 RPC).

SECTION 590. Disobedience to order of superior officer when said order was suspended by inferior officer. — Any public officer who, having for any reason suspended the execution of the orders of his superiors, shall disobey such superiors after the latter disapproved the suspension, shall suffer the penalties of prision correccional in its minimum and medium periods and perpetual disqualification (Art. 232 RPC).

The reason for the provision is that the law has taken into account that a superior officer may sometimes err, and that orders issued by him may proceed from a mistaken judgment.

For this reason, it entitles a subordinate to suspend in such cases the order issued, to submit his reason his superior in order that the latter may give them proper weight, if they are entitled to any.

But if the superior disapproves the suspension of his order and reiterates it to his subordinate, the latter must obey it at once and refusal to do so constitutes contempt, for by his resistance and refusal to do, he undertakes to dictate to his superior (Reyes, Criminal Law, Book II, 1963 Ed., P. 356, citing Albert).

SECTION 591. Refusal of assistance. — The penalties of arresto mayor in its medium period to prision correccional in its minimum period, perpetual special disqualification and a fine not exceeding 1,000 pesos, shall be imposed upon a public officer who, upon demand from competent authority, shall fail to lend his cooperation towards the administrations of justice or other public service, if such failure shall result in serious damage to the public interest or to a third party; otherwise, arresto mayor in its medium and maximum periods and a fine not exceeding 500 pesos shall be imposed (Art. 233 RPC).

A municipal president (mayor) who flatly and insolently refused to serve summons of a provincial fiscal, after having been duly requested to do so by the latter officials, is guilty of a violation of this article (People vs. Castro, G.R. No. 19273, March 16, 1923).

SECTION 592. Anticipation of duties of a public office. — Any person who shall assume the performance of the duties and powers of any public office or employment first being sworn in or having given the bond required by law, shall be suspended from such office or employment until he shall have complied with the respective formalities and shall be fined from 200 to 500 pesos (Art. 236 RPC).

SECTION 593. Prolonging performance of duties and powers. — Any public officer who shall continue to exercise the duties and powers of his office, employment, or commission, beyond the period provided by law, regulations, or special provisions applicable to the case, shall suffer the penalties of
prision correccional; in its minimum period, special temporary disqualification in its minimum period, and a fine not exceeding 500 pesos (Art. 237 RPC).

SECTION 594. Abandonment of office or position. — Any public officer who, before the acceptance of his resignation, shall abandon his office to the detriment of the public service shall suffer the penalty of arresto mayor.

If such office shall have been abandoned in order to evade the discharge of the duties of preventing, prosecuting, or punishing any of the crimes against national security, law of nations and public order (see Title One, and Chapter One of Title Three of Book Two of the Revised Penal Code), the offender shall be punished by prision correccional in its minimum and medium periods, and by arresto mayor if the purpose of such abandonment is to evade the duty of preventing, prosecuting, or punishing any other crime (Art. 238 RPC).

SECTION 595. Unlawful appointments. — Any public officer who shall knowingly nominate or appoint to any public office any person lacking the legal qualifications therefor, shall suffer the penalty of arresto mayor and a fine not exceeding 1,000 pesos (Art. 244 RPC).

SECTION 596. Falsification by public officer, employee, or notary or ecclesiastical minister. — The penalty of prision mayor and a fine not to exceed 5,000 pesos shall be imposed upon any public officer, employee, or notary who, taking advantage of his official position, shall a document by committing any of the following acts:

a. Counterfeiting or imitating any handwriting signature, or rubric;

b. Causing it to appear that persons have participated in any act or proceeding when they did not in fact so participate;

c. Attributing to persons who have participated in an act or proceeding statements other than those in fact made by them;

d. Making untruthful statements in a narration of facts;

e. Altering true dates;

f. Making any alteration or intercalation in a genuine document which changes it meaning;

g. Issuing in an authenticated form a document purporting to be a copy of an original document when no such original exists, or including in such copy a statement contrary to, or different from, that of the genuine original; or

h. Intercalating any instrument or note relative to the issuance thereof in a protocol, registry, or official book.
The same penalty shall be imposed upon any ecclesiastical minister who shall commit any of these offenses with respect to any record or document of such character that its falsification may affect the civil status of persons (Art. 171 RPC).

A document is any written statement by which a right is established or an obligation is extinguished (People vs. Moreno, 38 O.G. 119).

A document is a writing or instrument by which a fact may be proven and affirmed. Thus, if the writing (a payroll that has not been approved by proper authority) is merely a draft, it can prove nothing and affirm nothing (People vs. Camacho, 44 Phil., 488).

SECTION 597. Machinations in public auctions. — Any person who shall solicit any gift or promise as a consideration for refraining from taking in any public auction, and any person who shall attempt to cause bidders to stay away from an auction by threats, gifts, promises, or any other artifice, with intent to cause the reduction of the price of the thing auctioned, shall suffer the penalty of prision correccional in its minimum period and a fine ranging from 10 to 50 per centum of the value of the thing auctioned (Art. 185 RPC).

Article 185 of the Revised Penal Code punishes "any person who shall solicit any gift or promise as a consideration for agreeing to refrain from taking part in any public auction." The crime is consummated by the mere act of soliciting a gift or promise for the purpose of abstaining from taking part in the auction (Diaz vs. Kapunan, 45 Phil., 482).

Execution sales should be opened to free and full competition in order to secure the maximum benefit for the debtors.

SECTION 598. Direct bribery. — Any public officer who shall agree to perform an act constituting a crime, in a connection with the performance of his official duties, in consideration of any offer, promise, gift or present received by such officer, personally or through the mediation of another, shall suffer the penalty of prision correccional in its minimum and medium periods and a fine of not less than the value of the gift and not more than three times such value, in addition to the penalty corresponding to the crime agreed upon, if the same shall have been committed.

If the gift was accepted by the officer in consideration of the execution of an act which does not constitute a crime, and the officer executed said act, he shall suffer the same penalty provided in the preceding paragraph; and if said act shall not have been accomplished, the officer shall suffer the penalties of arresto mayor in its maximum period and a fine of not less than the value of the gift and not more than twice such value.

If the object for which the gift was received or promised was to make the public officer refrain from doing something which it was official duty to do, he shall suffer the penalties of arresto mayor in its medium and maximum periods and a fine of not less the value of the gift and not more than three times such value.
In addition to the penalties provided in the preceding paragraphs, the culprit shall suffer the penalty of special temporary disqualification.

The provisions contained in the preceding paragraphs shall be made applicable to assessors, arbitrators, appraisal and claim commissioners, experts, or any other persons performing public duties (Art. 210 RPC).

For the purposes of punishing bribery, the temporary performance of public functions is sufficient to constitute a person a public officer. That a laborer in the Bureau of Posts temporarily as filer of money orders was a public officer within the meaning of Article 203 of the Revised Penal Code. Indeed, common sense indicates that the receipt of bride money is just as pernicious when committed by temporary employees as when committed by permanent officials (Maniego vs. People, G.R. No. L-2971, April 20, 1951).

SECTION 599. Indirect bribery. — The penalties of arresto mayor, suspension in its minimum and medium periods, and public censure shall be imposed upon any public officer who shall accept gifts offered to him by reason of his office (Art. 211 RPC).

A public officer should not accept any gift offered to him, because such gift is offered in anticipation of future favor from him. Such gift received now ill in the future corrupt him or make him to debase or to omit the performance of his official duty (Reyes, supra, p. 304).

SECTION 600. Corruption of public officials. — The same penalties imposed upon the officer corrupted, except those of disqualification and suspension, shall be imposed upon any person who shall have made the offers or promises or given the gifts or presents as described in the preceding articles (Art. 212 RPC).

In view of the fact that it is hard to prove bribery, for the briber himself is punished by law and he is usually the only one who could give direct evidence, ways and means are resorted to, to catch the public officer while he is in the act of obtaining bribes. This is known as entrapment.

Thus, an NBI agent who, posing as one interested in expediting the approval of license for firearm, gave P50 to the public officer who had hinted that she was not averse to receiving some money for expediting the approval of licenses, merely resorted to ways and means to catch the public officer, considering that there was a ground for suspicion or belief of the existence of official graft in that office (People vs. Vinzol, C.A., 47 O.G., 294).

SECTION 601. Frauds against the public treasury and similar offenses. — The penalty of prision correccional in its medium period to prision mayor in its minimum period, or a fine ranging from 200 to 10,000 pesos, or both, shall be imposed upon any public officer who:

a. In his official capacity, in dealing with any person with regard to furnishing supplies, the making of contracts, or the adjustment or settlement of accounts relating to public property or funds, shall enter into an agreement with any interested party or speculator or make use of any other scheme to defraud the Government;
b. Being entrusted with the collection of taxes, licenses, fees, and other imposts, shall be guilty of any of the following acts or omissions:

1. Demanding, directly or indirectly, the payment of sums different from or larger than those authorized by law;

2. Failing voluntarily to issue a receipt, as provided by law, for any sum of money collected by him officially;

3. Collecting or receiving, directly or indirectly, by way of payment or otherwise, things or objects of a nature different from that provided by law. (Art. 213, RPC)

SECTION 602. Other frauds — swindling and deceits. — In addition to the penalties prescribed in the provisions of Chapter Six, Title Ten, Book Two, of the Revised Penal Code, the penalty of temporary special disqualification in its maximum period to perpetual special disqualification shall be imposed upon any public officer who, taking advantage of his official position, shall commit swindling or deceits enumerated in said provisions (Art. 214, RPC).

SECTION 603. Prohibited transaction. — The penalty of prision correccional in its minimum period or a fine ranging from 200 to 1,000 pesos or both shall be imposed upon any appointive public officer who, during his incumbency, shall directly or indirectly become interested in any transaction of exchange or speculation within the territory subject to his jurisdiction (Art. 215, RPC).

SECTION 604. Possession of prohibited interest by a public officer. — The penalty of arresto mayor in its medium period to prision correccional in its minimum period, or a fine ranging from 200 to 1,000 pesos, or both, shall be imposed upon a public officer who, directly or indirectly, shall become interested in any contract or business in which it is his official duty to intervene.

This provision is applicable to experts, arbitrators, and private accountants who, in like manner, shall take part in any contract or transaction connected with the estate or property in the appraisal, distribution, or adjudication of which they shall have acted, and to the guardians and executors with respects to the property belonging to their wards or estate. (Art. 216, RPC)

No Senator or Member of the House of Representatives may personally appear as counsel before any court of justice or before the Electoral Tribunals, or quasi-judicial and other administrative bodies. Neither shall he, directly or indirectly, be interested financially in any contract with, or in any franchise or special privilege granted by the Government, or any sub-division, agency, or instrumentality thereof, including any government-owned or-controlled corporation, or its subsidiary, during his term of office. He shall not intervene in any matter before any office of the government for his pecuniary benefit or where he may be called upon to act on account of his office (Sec. 14, Art. VI, 1987 Const.).

The President, Vice-President, the Members of the Cabinet, and their deputies or assistants shall not, unless otherwise provided in the Constitution, hold any other office or employment during their tenure. They shall not, during said tenure, directly or indirectly practice any other profession, participate in any business, or be financially interested in any contract with, or in any franchise, or special privilege
granted by the Government or any subdivision, agency, or instrumentality thereof, including government-owned or-controlled corporations or their subsidiaries. They shall strictly avoid conflict of interest in the conduct of their office (Sec. 13, Art. VII, 1987 Const.).

The words of Article 216 of the Revised Penal Code indicate as the characteristics element of the crime that the interest, be it direct or indirect, which the official has personally in the case be the product of his own acts. Subject to this crime are only public officials who by reason of their office have to intervene in contracts or transactions. It is enough to be a public official to be subject to this crime, it is necessary that by reason of his office, he has to intervene in said contracts or transactions. Where such contracts or transactions have no relation to his office he cannot commit this crime (People vs. Meneses, C.A., 40 O.G., Sup. 11, p. 134).

SECTION 605. False testimony in other cases and perjury in solemn affirmation. — The penalty of arresto mayor in its maximum period to prision correccional in its minimum period shall be imposed upon any person who, knowingly making untrue statements and not being included in the provisions of Articles 180, 181 and 182 of the Revised Penal Code, shall testify under oath, or make an affidavit, upon any material matter before a competent person authorized to administer an oath in cases in which the law so requires.

Any person who, in case of a solemn affirmation made in lieu of an oath, shall commit any of the falsehoods mentioned in this and in Articles 180, 181 and 182 of the Revised Penal code, shall suffer the respective penalties provided therein (Art. 183, RPC).

The offense defined in Article 183 of the Revised Penal Code has four elements: (a) affidavit or statement upon a material matter made under oath; (b) before a competent officer authorized to receive and administer such oath; (c) willful and deliberate assertion of a falsehood by offender; and (d) that the sworn statement containing the falsity is required by law (People vs. Bautista, C.A., 40 O.G., 2491).

The term "material matter" means the main fact which was the subject of the inquiry, or any circumstance which tends to prove that fact or circumstance which tends to corroborate or strengthen the testimony relative to the subject of the inquiry, or which legitimately affects the credit of any witness who testifies (U.S. vs. Estrana, 16 Phil. 520).

Chapter 3. Crimes Connected with Malversation of Public Funds or Property

SECTION 606. Malversation of public funds or property — Presumption of malversation. — Any public officer who, by reason of the duties of his office, is accountable for public funds or property, shall appropriate the same, or shall take or misappropriate or shall consent, or through abandonment or negligence, shall permit any other person to take such public funds or property, wholly/partially, or shall otherwise be guilty of the misappropriation or malversation of such funds or property, shall suffer:

a. The penalty of prision correccional in its medium and maximum periods, if the amount involved in the misappropriation or malversation does not exceed 200 pesos.
b. The penalty of prision mayor in its minimum and medium periods, if the amount involved is more than 200 pesos but does not exceed 6,000 pesos.

c. The penalty of prision mayor in its maximum period to reclusion temporal in its minimum period, if the amount involved is more than 6,000 pesos, but is less than 12,000 pesos.

d. The penalty of reclusion temporal in its medium and maximum periods, if the amount involved is more than 12,000 pesos but is less than 22,000 pesos. If the amount exceeds the latter, the penalty shall be reclusion temporal in its maximum period of reclusion perpetua.

In all cases, a person guilty of malversation shall also suffer the penalty of perpetual special disqualification and a fine a equal to the amount of the funds malversed or equal to the total value of the property embezzled.

The failure of a public officer to have duly forthcoming any public funds or property with which he is chargeable, upon demand by any duly authorized officer, shall be prima facie evidence that he has put such missing funds or property to personal uses (Art. 217, RPC, as amended by RA 1060).

Considering the gravity of the offense of malversation of public funds, government treasurers are held to strict accountability as regards funds entrusted to them in a fiduciary capacity. The examining COA auditors should also act with greater care and caution in the audit of the accounts of such accountable officers to avoid the perpetration of any injustice. Accounts should be examined carefully "to the last detail", "with absolute certainty" in strict compliance with the Manual of Instructions. Special note should be taken of the fact that the disallowances for lack of pre-audit are not necessarily tantamount to malversation in law. Imperative it is likewise that sufficient time be given examined officers to reconstruct their accounts and refuse the charge that they had put government funds to their personal uses. Access to records must be afforded them with a reasonable time after audit when disbursements are still fresh in their minds and not years after relevant official records may no longer be available and the passage of time has blurred human memory (Tinga vs. People, G.R. 57650, April 15, 1988).

It is not an indispensable requisite for the prosecution and conviction for malversation that there be a previous demand on the officer responsible for the custody of the public documents and effects, who does not have them where he should have them. There is malversation when it is shown that the officer responsible for the custody of public funds effects does not have them where he says he has them (People vs. Tolentino, 69 Phil. 715).

Malversation of public fund is a crime that may be committed negligence (Art. 217, RPC), or through falsification (People vs. Barbas, 60 Phil., 241; People vs. Silvallana, 61 Phil., 636). While the Penal Code definition of this crime refers to offender as a public officer accountable for public funds or property, it is settled that the crime may also be committed by one who is not in that position but who aids, induces or conspires with another who is, or cooperates with him in his commission by acts without which it could not have been accomplished. Thus, audit clerks who are charged with reckless negligence in not verifying the correctness of payrolls falsified by the paymaster, thereby cooperating with their said negligence in the falsification of said public documents and the misappropriation of public funds that
was made possible thereby, could undoubtedly be held liable as principals of the crime of malversation of public funds thru falsification of a public funds thru falsification of a public document by reckless negligence. While they are not public officers entrusted with government funds like their co-accused paymaster, it is obvious that they cooperated in the commission of that crime by their acts — the initiating of the payrolls without verification — without which the crime could not have been perpetrated. Even supposing that these audit clerks cannot be held guilty of malversation of public funds through falsification of public document by reckless negligence since there are sufficient allegations in the information to make then answerable for that crime (Javier, et al. vs. People, G.R. Nos. L-11670-11708, April 30, 1959).

A traveling sales agent of the Philippine Charity Sweepstakes Office who misappropriated the proceeds of sale of sweepstakes tickets, is liable for malversation. Said proceeds are considered public funds (People vs. Angco, G.R. No. L-9559, 54 O.G. 5702).

Officers and employees of the Metropolitan Water District are public officers and its funds are public funds. Since the Metropolitan Water District is a public or government entity, its officers and employees are public officers as that phrase is used under Art. 203 of the Revised Penal Code, and it is of no moment, for purpose of determining criminal liability under the Code, whether one's position therein was a minor one (Maniego vs. People, G.R. No. L-2971, April 20, 1951). Likewise, its funds although not strictly public funds, become impressed with the character of public funds when they are received by public officers with the obligation to account for them (People vs. Aquino, G.R. No. L-6062, April 26, 1954).

Government funds include not only revenue funds but also trust funds (People vs. Ramos, C.A., O.G., sup. 12, 159). Thus, Red Cross, Anti-Tuberculosis Society and Boy Scouts funds received by an assistant cashier of the provincial treasurer by virtue of his official position, for custody, acquire the character of public funds because although Red Cross funds, etc., are not strictly public funds, it is the intention of the law to make such funds partake of some of the characteristics of public funds, in that they are trust funds placed in the custody of the accountable public officer for the purpose for which they are contributed by the public (People vs. Velasquez, 72 Phil., 98; People vs. Dela Cerna, C.A., 40 O.G., sup. 12, 159).

NARIC funds received by a municipal treasurer as ex-officio in charge of the funds of the NARIC in the municipality, they being trust funds, are also considered as public funds (People vs. Aquino, G.R. No. L-6063, April 26, 1954).

The return of the funds malversed is only mitigating, not exempting, circumstance (People vs. Velasquez, 72 Phil. 98).

SECTION 607. Failure of accountable officer to render accounts. — Any public officer, whether in the service or separated therefrom by resignation or any other cause, who is required by law or regulation to render account to the Auditor General, or to a provincial auditor and who fails to do so for a period of two months after such accounts should be rendered, shall be punished by prision correccional in its minimum period, or by a fine ranging from 200 to 6,000 pesos, or both (Art. 218, RPC).
This is felony by omission. The law makes the mere act of refusing to render an accounting a crime and punishes it as such whether or not the funds entrusted to the officer are intact.

SECTION 608. Failure of a responsible public officer to render accounts before leaving the country. — Any public officer who unlawfully leaves or attempts to leave the Philippines without securing a certificate from the Auditor General showing that his accounts have been finally settled, shall be punished by arresto mayor, or a fine ranging from 200 to 1,000 pesos, or both (Art. 219, RPC).

Certificate required for bonded officer leaving Philippines. — No sheriff or officer whose fidelity is or has been insured in the fidelity fund shall leave or attempt to leave the Philippines until he shall secure a certificate from the Auditor General showing that his accounts have been finally settled (Art. 335, RPC).

SECTION 609. Illegal of public funds or property. — Any public officer shall apply any public fund or property under his administration to any public use other than that for which such funds or property were appropriated by law or ordinance shall suffer the penalty of prision correccional in its minimum or a fine ranging from one-half to the total value of the sum misapplied, if by reason of such misapplication, any damage or embarrassment shall have resulted to the public service. In either case, the offender shall also suffer the penalty of temporary special disqualification.

If no damage or embarrassment to the public service has resulted, the penalty shall be a fine from 5 to 50 per cent of the sum misapplied (Art. 220, RPC).

Here, the officer does not misappropriate public funds but he appropriates public funds for a purpose other that authorized by law. The article implements the constitutional provision that "no money shall be paid out of the treasury except in pursuance of an appropriation made by law."

SECTION 610. Failure to make delivery of public funds or property. — Any public officer under obligation to make payment from Government funds in his possession, who shall fail to make such payment, shall be punished by arresto mayor and a fine from 5 to 25 per cent of the sum which he failed to pay.

This provision shall apply to any public officer who, being ordered by competent authority to deliver any property in his custody or under his administration, shall refuse to make such delivery.

The fine shall be graduated in such case by the value of the thing, provided that it shall not be less than 50 pesos (Art. 221, RPC).

Refusal to make delivery of property must be malicious. Thus, a court stenographer who retains in his possession the stenographic notes taken by him at the trial for the purpose of transcribing the same does not commit a violation of this article (People vs. Jubila, C.A., 86 O.G., 1786).

SECTION 611. Officers covered by provisions on malversation. — The provisions of Articles 217 to 221 of the Revised Penal Code shall apply to private individuals who, in any capacity whatever, have charge of any national, provincial, or municipal funds, revenues, or property and to any administrator or
depository of funds or property attached, seized, or deposited by public authority, even if such property belongs to a private individual (Art. 22, RPC).

This article makes the provisions on malversation applicable to private individuals who discharges functions which are public in nature. Administrators and depositaries fall within the purview of this article. It includes also sheriffs and receivers A receiver, therefore, who misappropriates funds or property entrusted to him is guilty of malversation and not estafa.

Chapter 4. Penal Provisions from Other laws

Article 1. Local Government Code

SECTION 612. Posting and publication of ordinances with penal sanctions. —

a. Ordinances with penal sanctions shall be posted at prominent places in the provincial capitol, city, municipal or barangay hall as the case may be, for a minimum period of three (3) consecutive weeks. Such ordinances shall also be published in a newspaper of general circulation, where available, within the territorial jurisdiction of the local government unit concerned, except in the case of barangay ordinances. Unless otherwise provided therein, said ordinances shall take effect on the day following their publication, or at the end of the period of posting, whichever occurs later.

b. Any public officer or employee who violates an ordinance may be meted administrative disciplinary action, without prejudice to the filing of the appropriate civil or criminal action.

c. The secretary to the sanggunian concerned shall transmit official copies ordinances to the chief executive officer of the Officials Gazette within seven (7) days following the approval of the said ordinance for publication purposes. The Officials Gazette may publish ordinances with penal sanctions for archival and reference purpose (Sec. 511, RA 7160).

SECTION 613. Withholding of benefits accorded to barangay officials. — Willful and malicious withholding of any of the benefits accorded to barangay officials under Section 393 RA 7160 shall be punished with suspension or dismissal from office of the official or employee responsible thereof (Sec. 512, RA 7160).

SECTION 614. Failure to post and publish the itemized monthly collections and disbursements. — Failure by the local treasurer or the local chief accountant to post the itemized monthly collections and disbursements of the local government unit concerned within ten (10) days following the end of every month and for at least two (2) consecutive weeks at prominent places in the main office building of the local government unit concerned, its plaza and main street, and to publish said itemization in a newspaper of general circulation, where available in the territorial jurisdiction if such unit, shall be punished by a fine not exceeding Five Hundred Pesos (P500.00) or by imprisonment not exceeding one (1) month, or both such fine and imprisonment, at the discretion of the court (Sec. 513, RA 7160).

SECTION 615. Engaging in prohibited business transactions or possessing illegal pecuniary interest. — Any local official and any person or persons dealing with him who violate the prohibitions provided in
Section 89 of Book I RA 7160 shall be punished with imprisonment for six months and one day to six years, or a fine of not less than Three Thousand Pesos (P3,000) nor more than Ten Thousand Pesos (P10,000), or both such imprisonment and fine, at the discretion of the court (Sec. 514, RA 7160).

SECTION 616. Refusal or failure of any party or witness to appear before the lupon or pangkat. — Refusal or willful failure of any party or witness to appear before the lupon or pangkat in compliance with a summons issued pursuant to the provisions on the Katarungang Pambarangay under Chapter 7, Title One of Book III RA 7160 may be punished by the city or municipal court for indirect contempt of court upon application filed therewith by the lupon chairman, the pangkat chairman, or by any of the contending parties. Such refusal or willful failure to appear shall be reflected in the records of the lupon secretary or in the minutes of the pangkat secretary and shall bar the complainant who fails to appear, from seeking judicial recourse for the same cause of action, and the respondent who refuses to appear, from filing any counterclaim arising out or, or necessarily connected with the complaint.

A pangkat member who serves as such shall be entitled to an honorarium, the amount of which is to be determined by the sanggunian concerned (Sec. 515, RA 7160).

SECTION 617. Penalties for violation of tax ordinances. — The sanggunian of a local government unit is authorized to prescribe fines or other penalties for violation of tax ordinances but in no case shall such fines be less than One Thousand Pesos (P1,000) nor more than Five Thousand Pesos (P5,000), nor shall imprisonment be less than one (1) month nor more than six (6) months. Such fine or other penalty, or both, shall be imposed at the discretion of the court. The sangguniang barangay may prescribe a fine of not less than One Hundred Pesos (P100) nor more than One Thousand Pesos (P1,000.00) (Sec. 516, RA 7160).

SECTION 618. Omission of property from assessment or tax rolls by officers and other acts. — Any officer charged with the duty of assessing real property who willfully fails to assess, or who intentionally omits the assessment or tax roll any real property which he knows to be taxable, or who willfully or negligently under assesses any real property, or who intentionally violates or fails to perform any duty imposed upon him by law relating to the assessment of taxable real property shall, upon conviction be punished by a fine of not less than One Thousand Pesos (P1,000.00) nor more than Five Thousand Pesos (P5,000.00) or by imprisonment of not less than one (1) month nor more than six (6) months, or both such fine and imprisonment, at the discretion of the court.

The same penalty shall be imposed upon any officer charged with duly of collecting the tax due on real property who willfully or negligently fails to collect the tax and institute the necessary proceedings for he collection of the same.

Any other officer required by the Local Government Code to perform acts relating to the administration of the real property tax or to assist the assessor or treasurer in such administration, who willfully fails to discharge such duties shall upon conviction be punished by a fine of not less than Five Hundred Pesos (P500.00) nor more than Five Thousand Pesos (P5,000.00) or imprisonment of not less than one (1) month nor more than six (6) months, or both such fine and imprisonment, at the discretion of the court (Sec. 517, RA 7160).
SECTION 619. Government agents delaying assessment of real property and assessment appeals. — Any government official who intentionally and deliberately delays the assessment of real property or the filing of any appeal against its assessment shall, upon conviction, be punished by a fine of not less than Five Hundred Pesos (P500.00) nor more than Five Thousand Pesos (P5,000.00), or by imprisonment of not less than one (1) month nor more than six (6) months, or both such fine and imprisonment at the discretion of the court (Sec. 518, RA 7160).

SECTION 620. Failure to dispose of delinquent real property at public auction. — The local treasurer concerned who fails to dispose of delinquent real property at public auction in compliance with the pertinent provisions of the Local Government code, and any other local government officials whose acts hinder the prompt disposition of delinquent real property at public auctions shall, upon conviction, be subject to a fine of not less than One Thousand Pesos (P1,000.00) nor more than Five Thousand Pesos (P5,000.00), or imprisonment of not less than one (1) month nor more than six (6) months, or both such fine and imprisonment, at the discretion of the court (Sec. 519, RA 7160).

SECTION 621. Prohibited acts related to the award of contracts under the provisions on credit financing. — It shall be unlawful for any public official or employee in the provincial, city, or municipal government, or their relatives within the fourth civil degree of consanguinity or affinity, to enter into or have any pecuniary interest in any contract for the construction, acquisition, operation, or maintenance of any project awarded pursuant to the provisions of Title Four in Book II, RA 7160, or for the procurement of any supplies, materials, or equipment of any kind to be used in the said project. Any person convicted for violation of the provisions of said Title shall be removed from office and shall be punishable by imprisonment of not less than one (1) month, nor more than two (2) years, at the discretion of the court, without prejudice to prosecution under other laws (Sec. 520, RA 7160).

Article 2. Other Laws

SECTION 622. PD 807. — Whoever makes any appointment or employees any person in violation of any provision of this Decree (PD 807) or the rules made thereunder or whoever commits fraud, deceit or misrepresentation of material facts concerning other civil service matters, or whoever violates, refuses or neglects to comply with any of such provisions or rules, shall upon conviction be punished by a fine not exceeding one thousand pesos or by imprisonment not exceeding six months, or both such fine and imprisonment, in the discretion of the Court (Sec. 55, PD 807).

SECTION 623. PD 1445. — Any violation of the provisions of Sections 67, 68, 89, 106, and 108 of PD 1445 or of any regulation issued by the Commission implementing these sections, shall be punished by a fine not exceeding one thousand pesos or by imprisonment on the discretion of the court (Sec. 128, PD 1445).

(Agency's Letterhead)

NOTICE OF DISHONOR

___________, 19___
Sir/Madam:

You are hereby notified that your ______________ (name of bank) Check No. ____________, dated ____________, 19___, in the amount of P________ paid by you to this Office and acknowledged by our Official Receipt No. ___________ dated __________, 19__, has been presented for deposit but was dishonored and returned to us for the following reasons(s):

_____________________________________________________________________________________

In view thereof, the official referred to above has been cancelled on this date and your liability still subsists in the same manner as if you had never tendered any payment.

Please settle this account in cash or by certified check to the undersigned within five days receipt of this notice, otherwise this Office will be constrained to institute criminal action against you, under the provisions of Article 315 of the Revised Penal Code, as amended by Republic Act. No. 4885, and/or BP Blg. 22.

Very truly yours,

___________________

(Head of Agency)

By:

___________________

Collecting Officer

NOTE: (1) The last paragraph applies to cases where the cause of the dishonor of the check is lack or insufficiency of funds. Where the check is dishonored by reason of defect in form, such as incomplete signature or the like, the following paragraph should be substituted for the aforementioned last paragraph:

"Please settle this account in cash or by certified check to the undersigned within five days from receipt of this notice, otherwise, this Office will be constrained to file appropriate action to enforce its claim."

(2) In the local government, the local treasurer shall sign the Notice of Dishonor.
## REMITTANCE SCHEDULE

### CASH

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### CHECKS

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TOTAL CASH and CHECKS REMITTED P

CERTIFIED CORRECT
Dear Sir:

In accordance with the Memorandum of Agreement dated July 13, 1988 between the DOTC and PNB, please remit the amount of Pesos _________ (P_____) to our current Account No. _______ maintained at PNB _______ Branch, consisting of the following items, details of which are indicated in the attached Remittance Schedule:

   Cash       P
   Check     _________
   P

APPENDIX 4

DEPARTMENT OF TRANSPORTATION & COMMUNICATION

Postal Services Office

___________________
(City/Municipality)

______________
(Date)

The Branch Manager

Philippine National Bank
Please issue your Official Receipt for this amount.

Very truly yours,

________________________
(Postmaster/Authorized Signatory)

Appendix 5

CN No. _________
Date ____________

CREDIT NOTICE

TO: ____________
    ____________
    ____________

Sir/Madam:

Please be advised that the Report of Disbursements/Settlement of Suspension/Disallowances submitted to this Office to liquidate your cash advance in the amount of P_______ granted per check No. ___________ dated __________ has been audited. Credit to the cash advance is allowed for P ________ with suspensions of P ________ and disallowance of P ________.

The details of the suspension and disallowances are:

Immediate settlement of the foregoing suspensions/disallowances is requested.

Very truly yours,

________________________
UNDERTAKING
ON THE
SUMMARY OF EXPENSES

Date

I hereby certify that the expenditure as shown in the accompanying summary of expenses in the amount of ____________________ are actual, necessary, lawful, reasonable and were spent under the personal and direct supervision of the Program Administrator and/or Program Director.

________________________________________
PROJECT / ACCOUNTABLE OFFICER

Attested:

________________________________________
PROGRAM ADMINISTRATOR

Verified & Approved:

___________________________________________  ____________________________
CERTIFICATION

Date

We hereby certify that the amount of ____________________ (P _________) was incurred by the undersigned in connection with PROJECT _________ (File Code No.)

We further certify that the aforementioned project is a highly confidential operation/mission the details of which cannot be divulged without posing a threat to national security. We certify however, that the details supporting documents are in our custody and kept in our confidential filed and may be audited if circumstances so demand.

___________________________
PROJECT/ACCOUNTABLE OFFICER

___________________________
HEAD OF THE AGENCY

Attested:

___________________________
PROGRAM ADMINISTRATOR

Verified & Approved:

___________________________
PROGRAM ADMINISTRATOR
STOCK POSITION SHEET

<table>
<thead>
<tr>
<th>Article: ____________</th>
<th>Standard Stock Level: ____________</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unit: ________________________</td>
</tr>
</tbody>
</table>

**Quantity**

1. Balance on Hand ______________
2. Items in Transit ______________
3. This Requisition No. __________
4. Total expected stock
   (sum of lines 1 to 3) __________
5. Monthly average consumption ___
   (1 line 4/5 line 5) ____________

I CERTIFY to the fairness and reasonableness of the above data.

__________ ______________
Date       (Property Officer)

Note: Attach written justification for requisitions in excess of normal requirements.
LIVESTOCK LEDGER CARD

Classification:
A ___________ Paid from _______________ Fund
B ___________ Property No. _______________

(Temporary Number previously used)

Certificate of ownership No. _________
Transfer No. ______________________

Kind of Animal __________
Description _____________

(Back side)

Description    Birth of Offspring

Kind of Animal __________    Date of Birth _____________
Property No. __________    Sex    Brand No. __________
Date of Birth __________    Transferred to adult card No. __
Appendix 10

RECEIPT FOR CONFISCATED OR SEIZED ARTICLES

IMPORTANT: Confiscated articles found in the possession of apprehending officers not listed in this form shall be deemed illegally possessed and shall subject the possessor to criminal and administrative action.

WE CERTIFY that the articles above which were confiscated or seized in ____________ on _______ at _______

(Place of Apprehension)(Date) (Time)

are correctly stated.
Owner's Name : ___________________
Signature : ___________________
Address: ___________________

(Print Name Below Signature)

____________________
Apprehending Officer

W I T N E S S E S

1. (Print Name Below Signature) 1. (Print Name Below Signature)

______________________  ________________
Address: ________________ Address: ________________

-------------------------------------------------------------------------------------------

Received the articles listed above at __________________________
(location and name of storage place)
on ________________________, 19 ______ at ________________
(Date)  (Time)

(Print Name Below Signature)

_____________________
(Receiving Officer)
REPUBLIC OF THE PHILIPPINES

(Bureau or Office)

Account of ________________________________________________
Delivered at ______________________________________________
DateReceived ______ Date presented for inspection _____________
Date Inspected ______ Time Begun ______ Time Finished ______
Dealer ____________________________________________________
Order No. ____________ Requisition No. _________________
Invoice No. __________________________ Date of Invoice ______
Article as copied from _____________________________________
As Ordered _______________________________________________
As Invoiced ________________________ Value P _______________
As Delivered ______________________ Value P _______________
As Accepted ______________________ Value P _______________
    Rejected ______________________ Value P _______________
    Shortage ______________________ Value P _______________

REMARKS

CERTIFIED CORRECT:    CONCURRED IN:
_____________________    _____________________
Property Inspector      Property Officer
REPUBLIC OF THE PHILIPPINES

(Agency, Bureau or Office)

CERTIFICATE OF SAMPLING

Date __________

WE HEREBY CERTIFY that the sampling of __________________ covered by __________________ Order No. ___________ under ______ No. _____________ and delivered to the presence of one another and the sample was packed, wrapped, or placed in a container covered with a strip of onion skin paper sealed with sealing wax or securely pasted along all the offices of the said container and bearing our respective signature.

(________________________ delivery sample was/were taken)

1. ____________________________ 2 ____________________________
   (Representative of Dealer)      (Representative of Requisitioner)

3. ____________________________
   (Property Inspector)