



12 October 1995

STANDING OPERATING PROCEDURE
NUMBER 6

PNP PROCUREMENT

I. GENERAL:

1. References:

- a. Government Accounting and Auditing Manual (GAAM) Vol I.
- b. Executive Order No. 298 dated 12 August 1940.
- c. Executive Order No. 302 dated 26 September 1940.
- d. Executive Order No. 301 dated 26 September 1940.
- e. Commonwealth Act No. 138 dated 07 Nov 1936 (Flag Law).
- f. DTI, PITC Memorandum Circular No. CT-95, 4/02.

2. Definition of Terms:

- a. 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 for the specific purpose.
- b. Annual Procurement Program - an annual program showing itemized quantity, description and estimated cost of supplies, materials/equipment required for the fiscal year which shall be prepared by all agencies of the national government. Such program shall be made as an integral part of supporting documents of the agency work and financial plan required to be submitted to the Department of Budget and management (DBM) on or before the end of month of November pursuant to NBC 415 dated 19 January 1990.
- c. Use of Appropriated Funds - all money appropriated for function, activities, projects and program shall be available solely for the specific purposes for which these are appropriated.
- d. Procurement - is the acquisition of supplies, including non-personal services, by written order or contract through bidding or negotiation or by transfer under the prescribed laws, procedure, rules and regulation.

- e. Public Bidding Offer - is a proposal involving one or more items in a tender.
- f. Negotiated Procurement - is a method of procurement in which public bidding is not resorted to in consonance with the provisions of Executive Order No. 301, S. 1987 and Section 441 Art 6 of GAAM Vol I.
- g. Award - is the decision of the PNP Bids, Negotiations and Awards Committee (PNP BNAC) who among the bidders (supplier in case of negotiated purchase) shall get order or contract.
- h. Countertrade - is a general term for an international transaction that is prescribed on some form of reciprocity which may be as follows: counterpurchase, offset, product buy back, trade for debt swap or any form of combination or variation of the above arrangements.

II. POLICIES:

1. No contract involving the expenditures of public funds by the PNP 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 from the purpose and that the amount necessary to cover the proposed contract for the current fiscal year is available for expenditure.
2. No purchase of supplies, materials and equipment shall be made unless included in; or covered by the approved procurement program.
3. Except as otherwise provided by competent authority, procurement of supplies, materials and equipment by the PNP shall be through competitive public bidding.
4. Procurement must be in accordance with the applicable appropriation acts, Executive Orders, Government Accounting and Auditing Manual Vol I, rules and regulations.
5. It shall be the policy to use the best mode of procurement which will be most advantageous to the government considering the price quality and other factors.

6. All Contracts/Purchase Orders must bear certification of availability of funds. Thus certified amount should not be spent for any other purpose once obligated.
7. All supplies and equipment purchased must be in accordance with the NAPOLCOM approved specification for common items per table of equipment while for peculiar/technical items must be in accordance with end-user's preference. All deliveries of procured items must be inspected and accepted by the PNP Technical Inspection and Acceptance Committee in accordance with the existing SOP.
8. The PNP shall adapt countertrade, through the assistance of the Philippine International Trading Corporation, as a supplemental trade tool in connection with all importations or procurement of foreign capital equipment, machinery, products, goods and services of the Bureau entailing the payment of at least One Million United States Dollar (\$1,000,000.00) or its equivalent in other foreign currency.

III. SCOPE:

1. This SOP defines the policies and responsibilities in the procurement of supplies and equipment for all PNP Units and procedures to be followed in the processing of procurement documents.
2. This SOP covers the local and foreign procurement of supplies and equipment by the PNP Procurement Agency.

IV. MODE OF PROCUREMENT:

1. Public Bidding (Sec 428 GAAM Vol I) - Except as otherwise herein provided, procurement of supplies, materials and equipment by government agencies through competitive public bidding (Sec 1, Executive Order 301, S.1987).
2. Emergency Purchase (Art 5 Sec 439 GAAM Vol I)

In the national and corporate government agencies, emergency purchases are allowed in cases where the need for exceptionally urgent or absolutely indispensable to prevent immediate danger to or loss of life and/or property, or to avoid detriment to public service. They should be based on a canvass of prices of at least three (3) bonafide dealer (Executive Order No. 302, S.1940).

An Emergency Purchase shall be invariably supported by the agency's head or his duly authorized representatives (a) as to the necessity/justification for said purchase and (b) that the price bid contracted for is reasonable that it was the lowest obtainable at the time of the purchase or order (COA Circular 78-84, supra).

Delivery of Purchase Orders shall be made within ten (10) days after placement of same. Immediately after the emergency purchase is made, the Chief of Office of Department making the emergency purchase shall draw a regular requisition to cover items purchased on emergency basis.

3. Negotiated Purchase (Art 6 Sec 441 GAAM Vol I)

Condition for Negotiated Purchase - It is a system of purchase which dispenses with the stringent requirements of public bidding. Purchase through this mode maybe allowed in the following cases (Sec 1, Executive Order 301, S)

- 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/items sold by an exclusive distributor or manufacturer who does not have sub-dealer selling at lower prices and/or which no suitable substitutes 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 (2) 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 of needed supplies through negotiated purchase is most advantageous to the government to be determined by the department head concerned; and
- f. Whenever the purchase is made from an agency of the government.

4. Procurement from Duly Licensed Manufacturers

(Art 7, Sec 442, GAAM Vol I)

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 manufacturer/s should be made to obtain the lowest price for the quality of supplies desired (Sec 370, RA 1760).

5. Procurement from Exclusive Philippine Agents or Distributors (Art 7, Sec 443 GAAM Vol I)

Procurement may, in the case of foreign origin be made directly from the exclusive reputable Philippine distributor or agent subject to the following conditions:

a. That the exclusive Philippine distributor has no sub-dealer at lower price.

b. That no suitable substitute of substantially the same quality are available at lower price.

The foregoing transaction shall, however, be invariably supported by the following certificates:

a. A Certificate executed by the suppliers that she/he is the exclusive manufacturer or dealer of specific supplies duly attested by the foreign or local principal and that there are no sub-dealers selling at lower prices; and

b. Certificate by the requisitioning Officer (approved by the agency head) that there is no suitable substitute of substantially the same quality are available for item which are exclusively manufactured or distributed.

6. Procurement through the Procurement Service under the Department of Budget and Management (Art 8, Sec 444 GAAM Vol I)

With the abolition of the Supply Coordination Service, its functions have been transferred to the Procurement Service (under DBM) to wit:

a. Operation of a government procurement system for common-use office supplies; and

b. Monitoring of prices for common-used supplies, materials and equipment.

7. Procurement from other Philippine Government Agencies or Foreign Government (Art 9, Sec 446 GAAM Vol I)

Procurement may be made direct from government entities producing supplies to fill the needs of the government school of arts and trades or vocational schools or bureau of prison. For standard and accountable forms, the printing, binding and distribution thereof shall be made/undertaken by the National Printing Office (Sec 6, EO 385, S.1987).

- B. Procurement from Foreign Entities (Art 9, Sec 447, GAAM Vol I)

Procurement of supplies may be made through foreign government entities with which the Philippine government maintains diplomatic relations. Purchase under this mode shall be made only upon prior authority from the Office of the President (Sec 372, RA 7160).

9. Purchase through Repeat Order (Art 10, Sec 448 GAAM Vol I)

The agency shall buy from the same supplier/dealer the same item/s at the same price in addition to the quantity in the original contract, subject to the following conditions:

- a. Price must be the same or lower than the original price;
- b. The repeat order will not result to splitting of Purchase Order (PO);
- c. Maybe availed of only within six (6) months period from the date of original PO;
- 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 P50,000.00 except when the previous purchase was done through Public Bidding (COA Circular 85-55(A) supra).

V. PROCEDURES:

1. Conduct of Public Bidding (Requirements)
 - a. Procurement Directive from the Directorate for Logistics (DL).
 - b. Approved Specifications from the Directorate for Research and Development (DRD).

- c. Certification of the Availability of Funds (AA) from the Directorate for Comptrollership (DC).
 - d. Invitation to Bid (ITB) in accordance with the provisions of Sec 433, Art 2 of GAAM Vol I shall be applicable only on the procurement of common items while procurement of items such as ammunition, investigative and intelligence equipment shall be exempted from this requirements of Sec 433, Article 2 of GAAM Vol I because of security implication.
 - e. Conduct of Pre-Qualifying Conference/Meeting.
 - f. Conduct of test and evaluation of items/equipment being offered by suppliers as requisite to pre-qualify to bid.
 - g. Conduct of Scheduled Public Bidding (Opening of Bids).
 - h. PNP BNAC Deliberation and Award of Purchase Contract and Orders.
 - i. Formal promulgation/issuance/notification of award in favor of the winning bidder.
2. Negotiated Purchase (Requirements)
- a. Procurement Directives from the Directorate for Logistics.
 - b. Approved Specifications from the Directorate for Research and Development (DRD).
 - c. Authority to Negotiate Procurement duly approved by SILG.
 - d. Submission of Formal Proposal or quotations of the dealer.
 - e. Opening of the quotation submitted by proponent.
 - f. Conduct of Negotiation Conference.
 - g. Resolution of PNP Bids, Negotiations and Awards Committee (PNP BNAC).
 - h. Formal Granting of Award in favor of the proponent.
 - i. Preparation of the Purchase Contract and Order.
3. Emergency Purchase

This action involves the following steps:

- a. Procurement Order or Invitation from DL.
- b. Canvass of Prices or Quotation Made on the item being purchased.
- c. Opening of Proposals by concerned Committee.
- d. Granting of Awards by the said Committee.
- e. Issuance of Certificate of Reasonableness of Price by the concerned office.

4. Awards of Contract:

Sec 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 reasonably 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 maybe made only in either of the following:

- a. in case of tie offers and the supplies are divisible, the award maybe 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

limited or partial quantity only, in which agent the balance may be awarded to other acceptable bidders in the offer of advantage of their offers.

5. Processing of Procurement Documents

- a. The Directorate for Comptrollership (DC) must always furnish the Director for Logistics (DL) of the original copy of Allotment Advice (AA) based on the approved PNP Annual Procurement Program released by DBM.
- b. The Office of the Directorate for Logistics shall then furnish copies of the Allotment Advice to the Directorate for Research and Development (DRD) for the preparation of the corresponding specification. In case of peculiar technical items, DRD shall be assisted by the end-user.
- c. The proposed specification prepared by DRD is then submitted to the uniform and Equipment Standardization Board (UESB) for their review and evaluation. Specification of items that need technical evaluation of other government agencies such as Computer Information System and Radio Communication shall be referred to National Computer Center (NCC) and National Telecommunication Commission (NTC) respectively.
- d. The proposed specification is then referred to NAPOLCOM by UESB for their approval.
- e. The approved specification is furnished to DL and DRD to form part of their procurement reference file which could be used as basis in the succeeding procurement of the same item.
- f. DL now furnished D, LSS with copy of the approved Allotment Advice with approved specification which will be attached to the Procurement Directive.
- g. The PNP Bids, Negotiation and Awards Committee (PNP BNAC) follows Procedures V (1a) above.
- h. The complete obligating instrument (PO/WD) will be pre-audited by the Management Branch, DC prior to the encumbrance of funds by the Accounting Division prior to its approval/signature by the concerned authority

based on PNP Fiscal Directive No 73-001 dated January 28, 1993.

- i. Formal approval of the PO/WD by the concerned competent authority.
- j. The duly approved Purchase/Work Order is then returned to D, LSS for compliance of other requirements such as posting of the necessary Performance Bond by the supplier and the reproduction of the approved Purchase/Work Order to be furnished to COA and Management Inspector.
- k. Procurement Officer formally informs the supplier and serves the approved PO/WD to him.
- l. The supplier effects the delivery of item following strictly the complete descriptions and specifications of the supplies stipulated in the terms and conditions of the purchase contract.
- m. The Supply Accountable Officer (SAO) receives the deliveries for safekeeping and would finally receive same after the Technical Inspectors and Members of the Acceptance Committee and Management Inspector have inspected and accepted the supplies that have been delivered.
- n. The duly accepted deliveries are issued to the end-user only upon the direction of the Director, Directorate for Logistics.

VI. RESPONSIBILITIES:

1. The PNP BNAC implements procurement activity based on directive from Higher Headquarters.
2. The Directorate for Logistics of the Directorial Staff is responsible for the supervision of all procurement activities made by the Procurement Division, PNP Logistics Support Service, as prescribed in this SOP.

VII. RESCISSION:

All procedures and policies not in conformity with this SOP are hereby rescinded.

VIII. EFFECTIVITY:

This SOP shall take effect upon publication.

ANACLETO P. ARGUE JR. MNSA
Police Chief Superintendent
Director for Logistics

APPENDIXES:

- A - Procurement Flow Chart
- B - PNP Fiscal Directive
- C - SOP, Inspection and Acceptance
of Delivery