



Republic of the Philippines  
Department of the Interior and Local Government  
NATIONAL HEADQUARTERS, PHILIPPINE NATIONAL POLICE  
DIRECTORATE FOR LOGISTICS  
Camp Crame, Quezon City



September 11, 1997

Standard Operating Procedure  
Number 08

ESTABLISHMENT, ADMINISTRATION AND MANAGEMENT OF  
SERVICES AND SUPPLY AGREEMENT (SSA)

1. REFERENCES

- a. Implementing Rules for the Establishment, Administration and Management of Supply Support Agreement dated 19 November 1980.
- b. Civil Code of the Philippines
- c. Government Accounting and Auditing Manual
- d. Services and Supply Agreement between PNP and Nordic Ind. Inc

2. PURPOSE AND SCOPE

This SOP shall be applicable in the preparation and constitution of Services and Supply Agreement entered into by the PNP with any duly accredited manufacturer/supplier for the procurement of internal defense and other highly technical supplies and services which are not available within its capabilities and which the organization deems to acquire urgently on a yearly basis. Likewise, this shall provide the guidelines in the establishment and administration of the said contract and shall prescribe the conditions required and procedures to be undertaken to consummate the same.

3. DEFINITION OF TERMS

- a. Services and Supply Agreement: A contract with a term of one year duly approved by the Chairman, NAPOLCOM and concluded between the PNP and manufacturers or their designated exclusive distributors for any item of supply, equipment or service. It is a basic ordering agreement funded out of the general appropriations of a given fiscal year.
- b. Revolving or confirmed Letter of Credit: Domestic or Foreign Funds to support the SSA which are deposited with the national depository or a designated government or correspondent bank in favor of the supplier as beneficiary, against which drawdowns are made for any supply of material, spare parts or services covered in an approved contract.
- c. Manufacturers and Suppliers of goods and services: Those known in the industry and determined to be actually engaged in the original or licensed manufacture or distribution of goods and services. In cases where the manufacturer does not make a direct sale to the market, the term suppliers shall also be construed to mean the sole, exclusive distributor or area distributor through which the market distribution of a product or service is made.
- d. Proprietary Items: Those generally regarded as an exclusive design, process or method, product, structure, component

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or accessory protected by one or more patent rights that are not assignable except through licensed production by the original designer or manufacturer of equipment, supplies, materials and services.

e. Vendor Items: Those items of supplies, materials, components and accessories in use and in general circulation and distribution in the industry that are of general manufacture and application which maybe used as substitute or to complement a principal/major equipment, supplies, materials and services.

#### 4. POLICIES

a. Department, bureaus, offices or agencies of the national government are authorized under Executive Order 302 s 1996 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.

b. 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 following grounds (Negotiated Purchase):

1) Whenever the supplies are urgently needed to meet an emergency which may involve the loss of, or danger to life and/or property.

2) 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.

3) 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.

4) 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 PNP specifications.

5) 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.

6) Whenever the purchase is made from an agency of the government.

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c. SSA for any item of supply or service shall be established only with duly accredited manufacturers or their exclusive or duly authorized distribution outlets. The PNP shall, whenever possible, include in the contract or provision a technology transfer particularly on foreign sourced equipment.

d. The administration and management of SSA contracts shall be an inherent responsibility of the Directorate for Logistics or logistics organization at each Regional office or other units of the PNP. However, operationalization or the implementation of approved contracts may be delegated by DL or the RD to the lower level of procuring agencies in the command.

e. The selection of contractors shall fundamentally be governed by the economic benefits that may accrue to the government. When an item of supply or service is available from more than one manufacturer or supplier, a comparative economic analysis of the various offers must be provided in the documentation of the proposal. In addition, the rationale for the selection of a particular contractor must show both the tangible and intangible parameters of the selection process that may include a definition of the proprietary or vendor items that a supplier can provide, price guarantees, track record in the industry and the social and political factors that can affect the national interest of the Philippines.

f. SSAs maybe renewed thru negotiation if the original contractor has rendered satisfactory service during the life of the SSA and if there are no existing manufacturers/suppliers who can provide more advantageous terms and conditions and better service than the existing contractor, to be determined by the PNP Negotiation Committee, in accordance with Sec 441, GAAM (SEC 1.EO 301, S 1987).

g. The SSA should contain a listing of the items to be procured with its corresponding prices. The prices therein should be valid for the period covered. Any price adjustment shall be subject to the approval of the Chairman, NAPOLCOM. Moreover, the supplier shall guarantee continuous supply of spare parts and other related items embodied in the SSA and the PNP's accessibility to them.

h. The PNP shall have the right to purchase its requirements from any other source if the procurement conditions are more advantageous and to the best interest of the government.

i. Funding

1) Funds to support any SSA must be identified in the Logistics Operating Program by major task, activity or elements thereof. Availability of funds shall be duly certified and signed by the Chief Accountant.

2) Payment of the SSA orders shall be effected through the bank and drawdowns from a revolving Letter of Credit or a Confirmed L/C shall be effected as soon as the duly authorized individual/committee has certified to the delivery, inspection and acceptance of the item of supply or services. Terms of payment shall be effected as regards foreign orders as indicated in the L/C or upon shipment of the goods or articles out of a foreign port.

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j. Inspection and Acceptance

Inspection and acceptance of all items of supply and services delivered under the SSA shall be subject to the usual accounting and auditorial process and shall be governed by the technical procedures, benchcheck or operational test established in the PNP for the particular commodity of supply.

k. Performance Audit

To insure proper operation, administration and management of the SSA, Management Div. DC (PNP Internal Auditor) shall undertake periodic performance audit of the system.

5. PROCEDURES

The Director for Logistics, in coordination with the end-user, determines whether the acquisition shall be done thru Public Bidding or Negotiation then issues the necessary Directive. However, if the acquisition is to be done through negotiation, the approval of the SILG/NAPOLCOM shall first be secured in accordance with Sec 1 EO 301 dated Series 1987.

A. If done through Public Bidding:

- 1) PBAC issues invitation to Pre-Bid/Prequalify/Public Bidding.
- 2) PBAC conducts Pre-qualification with active participation of DRD and End-user.
- 3) PBAC conducts Public-Bidding, deliberates and determine the winning bidder.
- 4) LSS/End-user prepares contract and indorses same for approval to C, PNP and NAPOLCOM.

B. If done through Negotiated Contract:

- 1) Invitation shall be sent by the Chairman, Negotiation Committee to prospective supplier for exploratory talk.
- 2) Preparation of the proposed contract by LSS/End-user.
- 3) Negotiation between the Committee and Supplier on the contents of the contract to obtain conditions acceptable to both parties.
- 4) Presentation by the Negotiation Committee of the final proposed contract to the prospective supplier for concurrence.
- 5) Signature on the contract of the designated contracting officials of both parties. The PNP shall be represented by the C, PNP and the contract shall be approved by the Chairman, NAPOLCOM.
- 6) Purchase Order or Work Order done in accordance with the Contract shall approved by the Chairman, NAPOLCOM if the amount involved is P3,000,000 or more, otherwise, the C, PNP or RD shall approve such

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6. PERIODIC REPORTS

a. The End-user/Project Officer shall submit a quarterly report on the transactions made within the coverage of SSAs under their jurisdiction.

b. Funds committed to support the SSA shall be reported periodically (Quarterly) by the cognizant staff for comptrollership. Among other things, the report shall reflect the specific funding authority in the national appropriation, the funds committed, and the balance, if any.

7. The following grounds shall give rise to the cancellation or revocation of the SSA:

a. Whenever the SSA is void or unenforceable pursuant to the provisions of the Civil Code;

b. Whenever cancellation or revocation is mutually agreed upon by the parties;

c. Default by any of the parties concerning the terms, conditions and material provisions of the SSA.

8. EFFECTIVITY

This implementing rule takes effect upon publication.

BY COMMAND OF POLICE DIRECTOR GENERAL SARMIENTO II:



REYNALDO V VELASCO  
Police Chief Superintendent  
Director for Logistics

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