



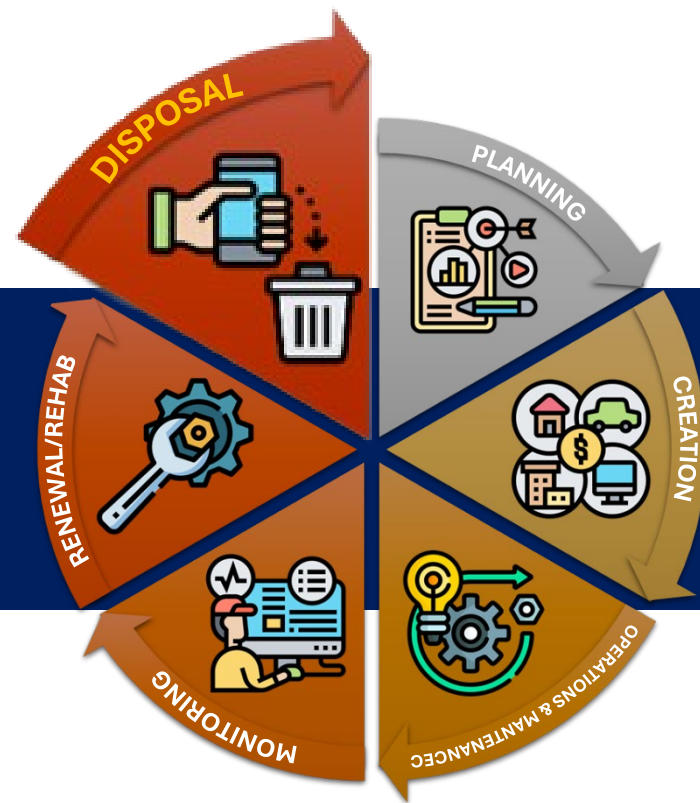
Phase 1 Roll-Out of the
Internal Audit Manual for Local Government Units (2023 Edition)
November 2024

Revised Manual on the Disposal of Government Properties

COA-DBM JC No. 2024-1

DIRECTOR JOHN ARIES S. MACASPAC

DBM - Systems and Productivity Improvement Bureau





Revised Manual on the Disposal of Government Properties

COA-DBM JC No. 2024-1

Part I *Introduction*

- Background and Purpose
- Legal Bases
- Coverage
- Scope of the Guidelines
- Definition of Terms

Part II *Disposal Activities/Processes*

- Constitution of the Disposal Committee
- Determination of Properties for Disposal
- Submission of Documents on Properties for Disposal
- Inspection
- Condition Factor and Rating of the Properties
- Appraisal and Appraisal Formulae
- Modes of Disposal
- Specific Guidelines on the Disposal of Certain Properties
- Dropping of Books of Accounts

Part III *Guidelines and Procedures on the Sale of Properties*

- Adjustment of Appraised Value when Auction Bids are Low
- Auction Procedures
- Blacklisting





Revised Manual on the Disposal of Government Properties

COA-DBM JC No. 2024-1



Part I *Introduction*

- Background and Purpose
- Legal Bases
- Coverage
- Scope of the Guidelines
- Definition of Terms

Part II *Disposal Activities/Processes*

- Constitution of the Disposal Committee
- Determination of Properties for Disposal
- Submission of Documents on Properties for Disposal
- Inspection
- Condition Factor and Rating of the Properties
- Appraisal and Appraisal Formulae
- Modes of Disposal
- Specific Guidelines on the Disposal of Certain Properties
- Dropping of Books of Accounts

Part III *Guidelines and Procedures on the Sale of Properties*

- Adjustment of Appraised Value when Auction Bids are Low
- Auction Procedures
- Blacklisting



LEGAL BASES



- **Executive Order (EO) No. 888**

Authorizing Ministers and Heads of Ministries/Agencies to Dispose of Their Respective Unserviceable Equipment and Disposable Property, dated 18 March 1983

- **EO No. 285**

Abolishing the General Services Administration and Transferring Its Functions to Appropriate Government Agencies, dated 25 July 1987



- **General Appropriations Act**

- **Republic Act (RA) No. 6969**

An Act to Control Toxic Substances and Hazardous and Nuclear Wastes, Providing Penalties for Violations Thereof, and for Other Purposes, dated 26 October 1990

- **RA No. 9003**

Ecological Solid Waste Management Act of 2000, dated 26 January 2001

- **EO No. 309**

Reconstituting the Disposal Committee Created under EO No. 285, dated 8 March 1996

- **Presidential Decree No. 1445**

Government Auditing Code of the Philippines, dated 11 June 1978

- **Commission on Audit Circular No. 89-296**

Audit Guidelines on the Divestment or Disposal of Property and Other Assets of National Government Agencies and Instrumentalities, Local Government Units and Government-Owned or -Controlled Corporations and Their Subsidiaries, dated 27 January 1989

- **COA Circular No. 2003-007**

Revised Estimated Useful Life in Computing Depreciation for Government Property, Plant and Equipment, dated 11 December 2003

- **COA Circular No. 2015-007**

Prescribing the Government Accounting Manual for Use of All National Government Agencies, dated 22 October 2015

COVERAGE OF THE MANUAL

Departments and Agencies
under the Executive Branch



MANDATED

Government
Corporations
and Subsidiaries

State Universities
and Colleges

**Local
Government Units**

Local Water Districts

Judiciary

Legislature

Office of the
Ombudsman

Constitutional
Commissions



ENCOURAGED

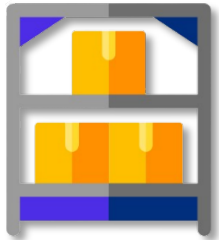


COVERAGE OF THE MANUAL



COVERED

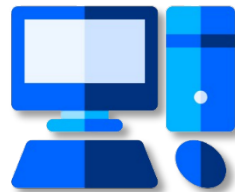
All government properties that are **moveable or personal properties**, such as



SUPPLIES



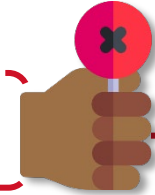
MATERIALS



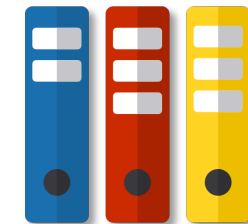
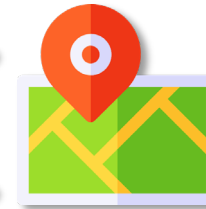
EQUIPMENT

including those donated to, stocked, and used by the government in its operations, which can be transported from place to place without impairment of the real properties

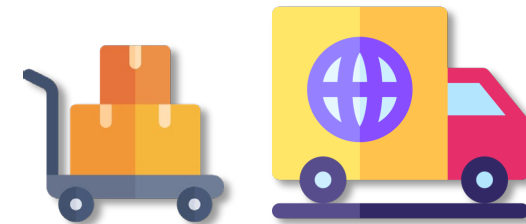
EXCLUDED



REAL PROPERTIES



PUBLIC RECORDS



IMPORTED PROPERTIES

Consigned to the GoP through government agencies



Revised Manual on the Disposal of Government Properties

COA-DBM JC No. 2024-1



Part I *Introduction*

- Background and Purpose
- Legal Bases
- Coverage
- Scope of the Guidelines
- Definition of Terms

Part II *Disposal Activities/Processes*

- Constitution of the Disposal Committee
- Determination of Properties for Disposal
- Submission of Documents on Properties for Disposal
- Inspection
- Condition Factor and Rating of the Properties
- Appraisal and Appraisal Formulae
- Modes of Disposal
- Specific Guidelines on the Disposal of Certain Properties
- Dropping of Books of Accounts

Part III *Guidelines and Procedures on the Sale of Properties*

- Adjustment of Appraised Value when Auction Bids are Low
- Auction Procedures
- Blacklisting



CONSTITUTION AND COMPOSITION OF THE DISPOSAL COMMITTEE



CHAIRPERSON

An official with a rank or function not lower than

- Assistant Secretary for a **Department**;
- Director III for an **agency lower than a Department**;
- Department Manager for a **GC**;
- **Department Head I for an LGU**; OR
- Equivalent rank for **SUC**.



MEMBERS

- Head, **Administrative Service/Division** of **Department/Agency** OR head of **equivalent unit** for **GC/SUC/LGU**; AND
- Head, Property Section/Unit



COMMITTEE SECRETARIAT

Department/Agency unit handling asset management (i.e., Property Division/Section/Unit, or its equivalent)



Representative/s

from previously constituted Inventory Committee
e.g., property, accounting division/section/unit.

Powers and Functions of the Disposal Committee

- Inspect, appraise, and undertake **valuation activities**
- Set **final appraised value**
- Determine **mode of disposal** for recommendation to authorities
- Undertake **disposal proceedings**
- Ensure that properties for disposal do not include materials not intended for disposal
- Ensure **extraction, proper storage, and security of confidential data** in ICT equipment before disposal
- Perform other related functions

APPROVING AUTHORITIES



OFFICE	APPROVING AUTHORITY FOR THE CONSTITUTION OF THE COMMITTEE	APPROVING AUTHORITY FOR THE RECOMMENDATION FOR DISPOSAL
NGAs <ul style="list-style-type: none"> Central Office RO and FO* 	<ul style="list-style-type: none"> Department Secretary 	<ul style="list-style-type: none"> Department Secretary Head of the RO concerned
<ul style="list-style-type: none"> Attached Agency* 	<ul style="list-style-type: none"> Head of Agency or duly authorized official <i>(including RO and/or FO under the agency)</i> 	<ul style="list-style-type: none"> Head of the Agency
GCs <ul style="list-style-type: none"> Central Office RO and FO* 	<ul style="list-style-type: none"> Governing Board or duly authorized official 	<ul style="list-style-type: none"> Governing Body or duly authorized official Head of the RO concerned
SUCs		<ul style="list-style-type: none"> Governing Board or duly authorized official
<u>LGUs</u>	<ul style="list-style-type: none"> <u>Local Chief Executive</u> 	<ul style="list-style-type: none"> <u>Local Chief Executive</u>

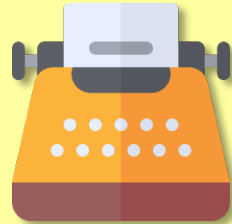
*Subject to regular reporting to the Department Secretary/Head of the Agency concerned

PROPERTIES FOR DISPOSAL

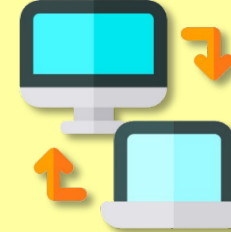
Any of the following conditions shall constitute the properties for disposal:



Can no longer be repaired or reconditioned



Obsolete or outmoded



Serviceable but **rendered unnecessary** due to changes in agency's mandate, functions, or programs



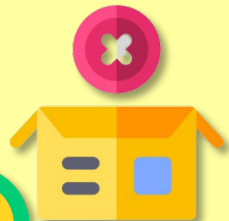
Unused properties deemed **dangerous** due to long storage or use of which is determined **hazardous**



Exceeded estimated useful life



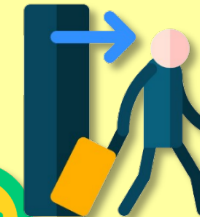
Beyond economic repair



No longer needed



Abandoned properties



Properties issued to officials/employees **about to retire**

MODES OF DISPOSAL

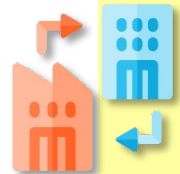
Properties may be disposed through **any** of the following modes:
(as appropriate and deemed most advantageous to the government)



Condemnation/Destruction



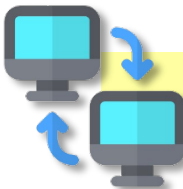
Negotiated Sale



Transfer to
another government agency



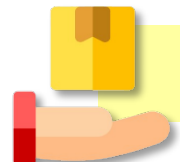
Return to the Supplier/Vendor



Barter



Sale to Government Officials/
Employees of the Agency



Donation



Sale of Junk or Scrap
and/or Recycling



Public Auction



Direct Negotiation



PROPERTIES FOR DISPOSAL



On the Sale to Government Officials/Employees of the Agency

Properties that may be sold to employees may include motor vehicles, cellular phones, laptop/desktop computers, and other issued items.



Sale to **any official/employee**

- ❖ Property has **reached** useful life
- ❖ Any official/employee to whom the property was issued to has the **right of first refusal**.
- ❖ If said individual refuses to buy the property, only then can it be sold to other employees.



Sale to **retiring official/employee**

- ❖ Property is issued **at least two and a half (2.5) years or 30 months prior** to the employee's retirement
- ❖ Property that **has already reached half** of useful life



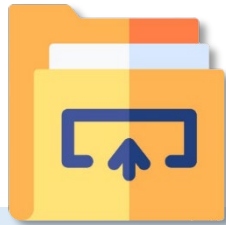
VERIFICATION OF COA

*For properties issued to Disposal Committee and head of **LGU***



Properties for common use through auction within the **LGU**
NO WINNING BIDDER = FAILED AUCTION
LGU to proceed with public auction

DISPOSAL PROCESS



1

SUBMISSION OF DOCUMENTS

Submit documents pertaining to properties for disposal:

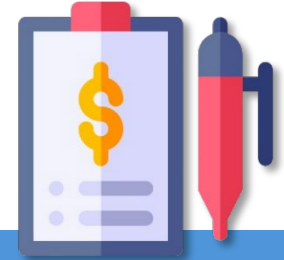
- *Inventory and Inspection Report of Unserviceable Property (IIRUP)*
- *Waste Materials Report (WMR)*
- *Property Transfer Report (PTR)*



2

INSPECTION

- Obtain **first-hand observation** of the physical and operational condition of the properties and its **marketability**
- **Supplement** the theoretical computations of the value of the properties to be disposed



3

APPRAISAL

- Set the **minimum selling price** to receive fair compensation for the items
- Appraised value shall be computed using information/data on the IIRUP, WMR, and PTR or their equivalent documents as basis





CONDITION FACTOR AND RATING OF PROPERTIES

80% to 100%
VERY GOOD (VG)

- Capable of being used to its fully specified utilization/designed purpose **without modification**
- Not requiring any repairs or abnormal maintenance

55% to 75%
GOOD (G)

- Used at/near its fully specified utilization but effects of age and/or utilization indicate that **minor repairs** must be made
- Item may have to be used to some slightly lesser degree than its fully specified utilization

35% to 50%
FAIR CONDITION (F)

- Being used below its fully specified utilization
- Requires **general repairs** and some **replacement of minor elements/components** in the foreseeable future.

15% to 30%
POOR CONDITION (P)

- Can only be used at some point well below its fully specified utilization
- Not possible to realize full capability in its current condition without **extensive repairs** and/or **replacement of major elements** in the very near future.

0% to 10%
SCRAP CONDITION (S)

- No longer serviceable nor can be utilized regardless of repairs/modifications
- Have **used up 100% of their useful life** or are 100% technologically, functionally, economically or statutorily **obsolete**.

CONDITION FACTOR AND RATING OF PROPERTIES

80% to 100%
VERY GOOD (VG)

55% to 75%
GOOD (G)

35% to 50%
FAIR CONDITION (F)

15% to 30%
POOR CONDITION (P)

0% to 10%
SCRAP CONDITION (S)

COMPONENT RATING TABLE

A. VEHICLES

	%
Engine	23
Body and Chassis	35
Transmission	7
Differential	5
Others	30

CONDITION FACTOR = **WEIGHTED AVERAGE** of the individual component rating as prescribed by COA

APPRAISAL FORMULAE...

I. When properties are **still operational/functional** or **can be repaired**

1. If the **Current Market Value (CMV)** of a comparable property is available:

$$AV = \frac{CMV \times CF1}{CF2}$$

2. If the **Acquisition Cost (AC)** is available (for imported properties):

a.1 Imported directly purchased from abroad

$$AV = (AC \times CFF) \times CF$$

a.2 Purchased locally

$$AV = (AC \times CF)$$

3. If the **AC** is available (for locally-manufactured properties):

$$AV = (AC \times PIF) \times CF$$

II. When properties can **no longer be repaired/reconditioned**

$$AV = \text{Junk Value}$$

Legend:

AV – Appraised Value

CMV – Current Market Value

CF – Condition Factor of Properties

CF1 – CF of the properties being appraised

CF2 – CF of the advertised/canvassed properties

AC – Acquisition Cost

CFF – Currency Fluctuation Factor

PIF – Price Index Factor

$$CFF = \frac{P/\text{dollar exchange rate on year of appraisal}}{P/\text{dollar exchange rate on year of acquisition}}$$

$$PIF = \frac{\text{Price Index on year of Appraisal}}{\text{Price Index on year of Acquisition}}$$

*Other notes on this formula can be found in the Manual

ILLUSTRATIVE EXAMPLE



I. When properties are **still operational/functional** or **can be repaired**

a. If the **Current Market Value (CMV)** of a comparable property is available:

Property Description

- Toyota Innova 2.8 E Diesel AT (2798 cc)
- Acquisition Date = 20 January 2020
- Acquisition Cost = Php 1,537,000.00
- **CMV** = Advertised prices from used car dealers of similar brand & year model:
 - a. Php 918,000.00
 - b. **Php 900,000.00**
 - c. Php 930,000.00

THUS:

$$AV = \frac{CMV \times CF1}{CF2}$$

$$AV = \frac{900,000 * 0.7795}{0.6050}$$

$$AV = \text{Php } 1,159,586.78$$


Component	CF1			CF2		
	%Weight	CF	Total	%Weight	CF	Total
Engine	0.23	0.8	0.1840	0.23	0.60	0.1380
Body and Chassis	0.35	0.75	0.2625	0.35	0.70	0.2450
Transmission	0.07	0.9	0.0630	0.07	0.85	0.0595
Differential	0.05	0.9	0.0450	0.05	0.85	0.0425
Others	0.30	0.75	0.2250	0.30	0.40	0.1200
			0.7795			0.6050

Other notes regarding appraisal:

- Appraised value set shall be valid only for **six (6) months**.
- If the property remains unsold after six (6) months, **reappraisal** must be conducted.

SPECIFIC GUIDELINES ON THE DISPOSAL OF CERTAIN PROPERTIES



 Specific **guidelines** on the following shall be **issued** by the agency concerned



Department of Information and Communications Technology
on the disposal of **ICT** properties;



Department of Health
on the disposal of **hospital** properties; and



Department of Environment and Natural Resources
on the disposal of **hazardous** properties





Revised Manual on the Disposal of Government Properties

COA-DBM JC No. 2024-1



Part I

Introduction

- Background and Purpose
- Legal Bases
- Coverage
- Scope of the Guidelines
- Definition of Terms

Part II

Disposal Activities/Processes

- Constitution of the Disposal Committee
- Determination of Properties for Disposal
- Submission of Documents on Properties for Disposal
- Inspection
- Condition Factor and Rating of the Properties
- Appraisal and Appraisal Formulae
- Modes of Disposal
- Specific Guidelines on the Disposal of Certain Properties
- Dropping of Books of Accounts

Part III

Guidelines and Procedures on the Sale of Properties

- Adjustment of Appraised Value when Auction Bids are Low
- Auction Procedures
- Blacklisting



AUCTION PROCEDURES



**Preparation of
Invitation to Bid
(ITB)**



**Publication
of ITB**

**Accomplishment
and Submission of
Bid Tender**



**Preparation of
Abstract of Bidding**



**Opening of
Auction
Tender**



**Posting of
Auction Bond**



**Public
Auction**



**Awarding
of Sale**



Payment

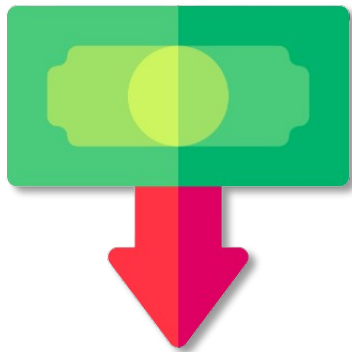


**Claiming
of Award**

ADJUSTMENT OF APPRAISAL VALUE WHEN AUCTION BIDS ARE LOW

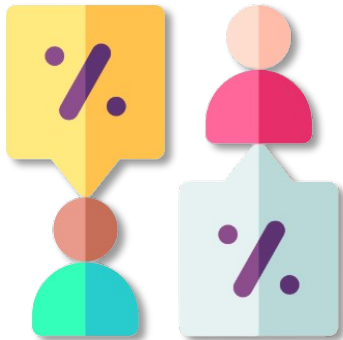


APPRAISED VALUE may be adjusted when the auction bids are low.



If the **difference** between the highest auction and the floor price **is greater than 10%** of the floor price **plus** the cost of calling another auction, the **LGU** shall **call for another public auction** with the floor price **reduced by 10%**.

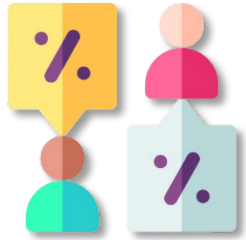
Otherwise, the **LGU** may **continue with the sale**.



If the **second auction still fails**, the properties may be sold through a **negotiated sale**.



ADJUSTMENT OF APPRAISAL VALUE WHEN AUCTION BIDS ARE LOW



NEGOTIATED SALE

Scenarios for negotiations from the date of the second failed auction

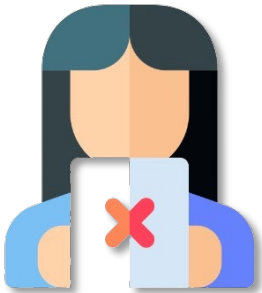
	Within one (1) month	After one (1) month	After six (6) months
PARTICIPANTS	Bidders of the first and/or second failed auction and other prospective bidders*	Potential buyers other than those earlier mentioned	All potential buyers
PRICE	Sold at a price <u>not lower than 80%</u> of the appraised value		Properties shall be reappraised Sold at a price <u>not lower than 90%</u> of the reappraised value

*Such as those who obtained bid forms but did not submit bid tenders

BLACKLISTING

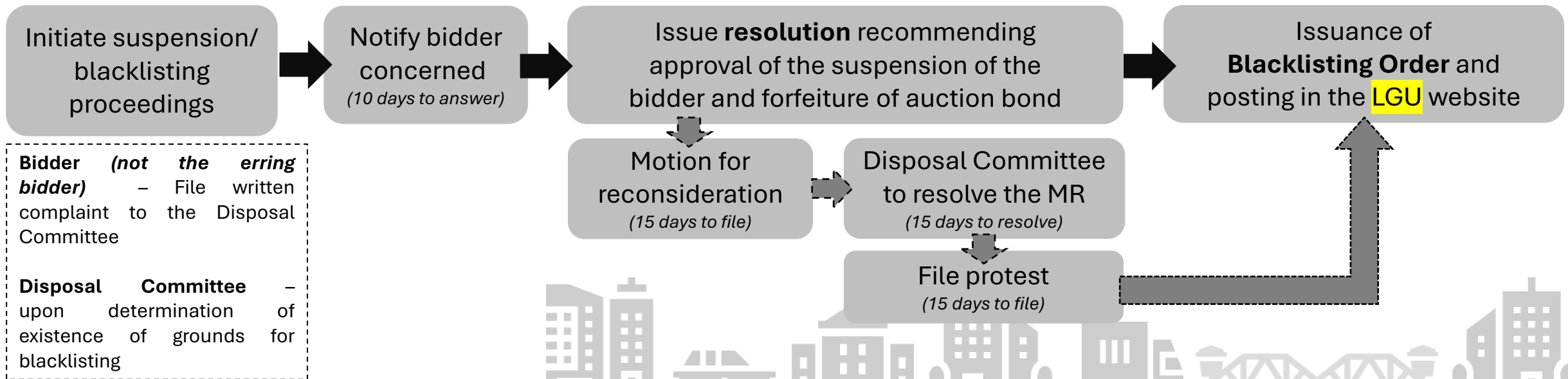


Individuals or entities who have participated in disposal activities but have committed **any** of the following shall be blacklisted from participating within **one (1)** to **two (2)** years:



- Submission of **falsified documents** containing false information;
- Withdrawal** of an auction tender, or **refusal to accept an award without justifiable cause** after the tender has been declared as the highest offer; or
- Non-compliance** to the provisions stipulated under the **LGU's** ITB, Instructions to Bidders, or Terms of Reference.

PROCEDURES FOR BLACKLISTING:



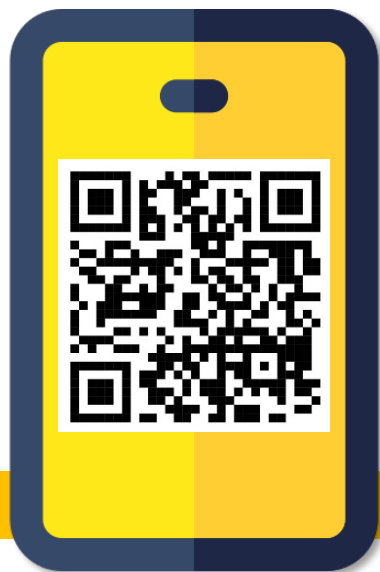


QUESTIONS?





THANK YOU!



- For questions and/or concerns, you may:
- email the SPIB at **dbm-spib@dbm.gov.ph**, or
 - contact via **(+63) 02 8657-3300** loc. **1228 (AMD)**

Systems and Productivity Improvement Bureau
Department of Budget and Management
General Solano St., San Miguel, Malacañang, Manila

Scan this QR code to learn more about the Systems and Productivity-related activities of the DBM

