



REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
REGIONAL OFFICE NO. II
NATIONAL GOVERNMENT AUDIT SECTOR
Cluster 5A – Education and Employment
 Provincial Satellite Auditing Office
 Basco, Batanes

Office of the Auditor – Audit Team No. R2-13

AOM No. 2025-01(SDO-Batanes)

Date: January 15, 2025

AUDIT OBSERVATION MEMORANDUM (AOM)

For: ALFREDO B. GUMARU JR., EdD., CESO V
 Schools Division Superintendent
 Department of Education – Division of Batanes
 Basco, Batanes

Attention: DANTE J. MARCELO, PhD., CESO VI
 Assistant Schools Division Superintendent/
 BAC Chairperson

JANNA JESUSA S. LIM, CPA
 OIC-Accountant

**Bids and Awards Committee (BAC) and BAC
 Secretariat**

We reviewed the procurement projects covering Calendar Year (CY) 2024 and noted the following:

Compliance with R.A. No. 9184

The non-observance of the manner of evaluation of bids indicated in the general instructions' section of the Request for Quotation (RFQ) relative to the procurement of catering services totaling ₱192,953.00 through Alternative Mode of Procurement-Small Value Procurement under Section 53.9 resulted in forgone savings by the government totaling ₱11,943.00 which is not in accordance with the procedural requirements of the Revised Implementing Rules and Regulations (IRR) of Republic Act No. (RA) 9184 and related GPPB issuances, thus the regularity and integrity of the procurement process may have been compromised.

Relevant provisions of law and issuances on fund management, procurement and contract implementation are as follows:



Legal Bases	
Section 2, Presidential Decree 1445 (PD 1445) otherwise known as the "Government Auditing Code of the Philippines".	<i>It is the declared policy of the State that all resources of the government shall be managed, expended or utilized in accordance with law and regulations, and safeguarded against loss or wastage through illegal or improper disposition, with a view to ensuring efficiency, economy and effectiveness in the operations of government. The responsibility to take care that such policy is faithfully adhered to rests directly with the chief or head of the government agency concerned.</i>
Section 5, 2016 Revised Implementing Rules and Regulations (IRR)	<i>Approved Budget for the Contract (ABC). Refers to the budget for the contract duly approved by the HoPE, as provided for in the General Appropriations Act (GAA), continuing, and automatic appropriations, in the case of national government agencies (NGAs)</i>
Section 31, Updated 2016 Revised IRR	<i>31.1 The ABC shall be the upper limit or ceiling for acceptable bid prices. If a bid price, as evaluated and calculated in accordance with this IRR, is higher than the ABC, the bidder submitting the same shall be automatically disqualified. There shall be no lower limit or floor on the amount of the award.</i>

Moreover, the Technical Support Office of the Government Procurement Policy Board (GPPB) released Non-Policy Matter (NPM) No. 086-2017, relative to the mode of Procuring Entity in the evaluation and award of contracts. The GPPB opined that:

"Procurement of projects by lot or by item is a recognized mechanism under existing government procurement rules. The Philippine Bidding Documents (PBD) for the Procurement of Goods, particularly the Bid Data Sheet (BDS) provision to qualify the Instruction to Bidders, that is, Clause 28.3 of the PBD for Goods explains that lots should be formed of similar items that are likely to attract the maximum competition, and defines "lot" as the quantity and number of items that will be included in a single contract. It also states three options that PEs may choose from in grouping and evaluating lots, as follows:

- (i) each item to be evaluated and compared with other bids separately and recommended for contract award separately;*
- (ii) all items to be grouped together to form one complete lot that will be awarded to one bidder to form one complete contract; and*
- (iii) similar items, to be grouped together to form several lots that shall be evaluated and awarded as separate contracts*

*Accordingly, the PE may identify – each item to be evaluated and awarded separately under separate contracts; or, several items grouped together to form one complete lot to be awarded to a single bidder to form a singular complete contract; or similar items to be grouped into several lots, and evaluated and awarded as separate contracts. In these wise, bids shall be evaluated by the Bids and Awards Committee depending on the packages, lots or items identified in the bidding document. **Consequently, depending on the requirements provided for under Section 28.3 of the ITB, alongside specific instructions contained in the BDS Clause 28.3 as to the manner for which a bidder should submit its bid; i) a bidder***



may be awarded a contract for an item; or, ii) a contract for a lot, or contracts for several lots; or, iii) a singular contract for all of the lots.

The same rule applies in Shopping and the Negotiated Modality under Small Value Procurement, the grouping of items/lots shall be based on what is provided in the Request for Quotations. Thus, a bidder may be awarded a contract for an item; or, a contract for a lot, or contracts for several lots; or, a singular contract for all the lots. (Emphasis supplied)

From the foregoing opinion, Procuring Entity may select from the enumerated modes of evaluation provided it was explicitly stated in the Request for Quotations (RFQ). Our scrutiny of the procurement documents disclosed that a **per-total mode of evaluation or awarding of a singular contract for all the lots was adopted**, as evidenced by Items 3 and 5 of the “Terms and Conditions” per RFQ below:

“Xxx

3. Price Quotations exceeding the Approved Budget for the Contract shall be rejected.

Xxx

5. Evaluation of the quoted price will be conducted on the basis of the total price.”

However, upon evaluation, Management elected to implement a combination of the modalities of: (a) per-item evaluation using the unit cost of items in the Purchase Request; and (b) per-total mode of evaluation. This inconsistent application of mode of evaluation resulted in forgone savings by the government totaling ₱11,943.00, as presented below, the summary of which is detailed in *Annex A*:

DV No.	Contract Cost per awarded Purchase Order (based on combination of per-item and per-total mode of evaluation)	Lowest Calculated Responsive Bid (strictly using the per-total mode of evaluation per Terms and Condition in the RFQ)	Forgone Savings
TF-2024-05-026	62,968.00	54,960.00	8,008.00
MOOE-2024-07-313	29,250.00	28,500.00	750.00
MOOE-2024-07-351	100,735.00	98,450.00	2,285.00
Total	192,953.00	181,910.00	11,043.00

Per inquiry, the Management opted for the combination of per-item and per-total mode of evaluation of bids to conform with the DepEd Order No. 15, series of 2017, dated March 2017, which provides the guidelines on the allocation of funds or ceilings for venue, meals and snacks and room accommodation for official activities organized and conducted by the DepEd.

Nonetheless, we underscore **the significance of specifically providing the unit ABC per line item instead of only stating the total ABC, which the Procuring Entity fails to do, if the intention is to evaluate and award on a per-item basis.** The failure to indicate the unit ABC in the RFQ poses the risk that the prospective suppliers may not be able to submit a responsive offer per item, which, essentially, shall be within or equal to the ABC per item, since they are not adequately informed of the unit ABC.



The above-noted deficiencies affected the integrity of the evaluation procedure and regularity of the procurement process in general.

We recommend that the BAC:

- a. **Strictly follow the evaluation method of the submitted bids indicated in the Request for Quotation (RFQ), whether the contract will be awarded on a per item, whole lot, or by several lots, or a combination of such. Accordingly, carefully select the most appropriate modality of evaluation depending on the nature of items to be procured and circumstances at hand; and**
- b. **Ensure that the ABC reflected in the RFQ accurately corresponds to the chosen bid evaluation method, providing comprehensive information to interested bidder-suppliers about the bid ceiling.**

May we have your comments on the foregoing audit observations within ten (10) calendar days from receipt hereof.

In case of your failure to reply within the herein specified period, our audit observations shall be deemed accepted, and we shall re-evaluate our findings on the basis of available documents/information on hand.

COA Signed
2025-01-20
17:06:51


ANNA MARIE A. MERIEL
State Auditor III
OIC-Audit Team Leader

COA Signed
2025-01-21
08:23:10


ADELINE P. BAARDE
State Auditor V
Regional Supervising Auditor

Proof of Receipt of AOM: 2025-02 dated January 15, 2025		
Office	Name and Signature	Date
Office of the Schools Division Superintendent		
Office of the SDO Accountant		
Office of the BAC Chairman		
Office of the BAC Secretariat		

