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MEMORANDUM CIRCULAR

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SUBJECT: Guidelines on Monetary Valuation of Foreign and Local Donations for Disaster Relief and Rehabilitation

1. RATIONALE

Disasters and calamities happen in the Philippines at a time they are least expected. These have caused death and destruction to individuals, families, communities and properties. Studies show that many calamities have been brought by frailties of persons; few only are imposed purely by nature.

During these situations individuals, organizations, corporations and private entities (foreign or local) have exhibited social responsibilities in helping those who are in need, through donations in the form of cash, food, clothing, medicines and other basic needs.

These organizations - private or government, local or foreign - have been the partners of DSWD in providing relief assistance through donations. However, there are instances when these donations were received without proper cost/value causing inconsistency in proper accounting. Thus, in response to New Government Accounting System and COA rules and regulations on proper accounting and utilization of these donations, a new and systematic monetization scheme is hereby adapted.

2. LEGAL BASIS/REFERENCES:

2.1 **Presidential Memorandum Order No. 36 (PMO 36)** dated September 9, 1992- authorizes the importation and donation of food, clothing, medicines and equipment for use in the government relief and rehabilitation programs for calamity-affected areas, in accordance with the provisions under Section 105 (L) of the Tariff and Customs Code of the Philippines, as amended. The importations under PMO 36 shall be considered as importation of the Office of the President (OP) upon favorable endorsement by the three (3) consignees and these are DSWD, DOH and DND.

2.2 **Amended Tariff and Customs Code of the Philippines, Section 2610-** provides that if the article is suitable for shelter or consists of food stuff, clothing materials and medicines, then that article shall be given to government charitable institutions through the DSWD.

- 2.3 **Presidential Memorandum Order No. 23** (PMO 23), series of 1992 provides the immediate transfer of all forfeited and /or abandoned used clothing in the Bureau of Customs custody to DSWD.
- 2.4 **DSWD Special Order No.40** Series of 1994 has provided for the creation of a Task Force Committee to develop and implement a systematized monetizing and accounting of foreign and local commodities donated to the Department of Social Welfare and Development.
- 2.5 **Revised Guidelines on Appraisal of Property other than Real Estate, Antique Property and Works of Art** of the Commission On Audit.
- 2.6 **DSWD Administrative Order No. 53** series of 2003, dated April 14, 2003, Omnibus Guidelines in the Management and Processing of Donations.
- 2.7 **DSWD Special Order No. 159** series of 2002, Amendment to Composition of Committees, Paragraph A – Committee for the Valuation of Foreign and Local Donations.
- 2.8 **Administrative Order No. 11 series of 2005 – “Addendum to Omnibus Guideline in the Management and Processing of Donations”**.

3. OBJECTIVES

- 3.1 To enhance, strengthen and improve the existing inventory valuation system for all foreign and local donations during disasters and calamities.
- 3.2 To ensure proper valuation, recording and accounting for all foreign and local donations in kind for Disaster Relief and Rehabilitation.

4. DEFINITION OF TERMS

- 4.1 **Acquisition Cost (AC)** – the price *at which the property was acquired* which also include related expenses incurred during the acquisition/construction of the property such as *taxes paid, license fees, permit fees, clearance fees, freight/transportation and handling fees, reconditioning/rehabilitation cost and other related costs*. [Reference: Financial Accounting by Conrado T. Valix 1997edition.]
- 4.2 **Appraised Value (AV)** – opinion of an independent appraiser of the current value of the property. [Reference: Financial Accounting by Conrado T. Valix 1997edition.]
- 4.3 **Currency Fluctuation Factor (CFF)** – refers to the adjustment factor used in the valuation of the property, taking into account the changes of the value of peso from the year of acquisition to the year of appraisal.

Formula:

Peso/dollar exchange rate on the date of appraisal

Peso/dollar exchange rate on the date of acquisition

[Reference: Commission On Audit –Revised Guidelines on Appraisal of Property other than Real Estate, Antique Property and Works of Art.]

- 4.4 **Current Market Value (CMV)** – is the estimated price of a property a buyer is willing to pay if exposed for sale in the open market, allowing a reasonable time to find a buyer who buys with knowledge of the actual condition and utility of the property. (Sources/Determinations: Advertised prices used items and units of the same make, model and specifications from newspapers, publications of associations, general circulations and others. From at least (2) advertised price the lowest of which shall be the CMV) [Reference: Commission On Audit –Revised Guidelines on Appraisal of Property other than Real Estate, Antique Property and Works of Art.]
- 4.5 **Price Index Factor (PIF)** – refers to the adjustment factor which reflects the changes that occur in the prices of commodities, raw materials, manufactured goods and the like from the time of manufacture to the time of appraisal. (Source: National Statistics Office). [Reference: Commission On Audit –Revised Guidelines on Appraisal of Property other than Real Estate, Antique Property and Works of Art.]
- 4.6 **Replacement Cost New (RCN)** – refers to the cost of construction/production at current prices of a property having a utility equivalent to the property being appraised but built with modern materials and according to current standards, design and layout. Reference: Commission On Audit –[Revised Guidelines on Appraisal of Property other than Real Estate, Antique Property and Works of Art.]
- 4.7 **Highly Perishable goods** - are goods which easily deteriorates such as vegetables, milk, flour and foodstuff in tetra, plastic or foil packages and a like, having an expiration date **within six (6) months**.
- 4.8 **Perishable goods** – are consumable goods which have an expiration date of more than six (6) months.
- 4.9 **Nonperishable goods/supplies** – includes consumable and non-consumable goods, items or units which remains unspoiled, usable or existing for a long period of time.

5. GENERAL POLICY

5.1 The commodities/units monetized under this guidelines includes the following:

5.1.1 Foreign and local commodity donations received by DSWD warehouses, bureaus and offices at Central and Field Offices.

- 5.1.1.1 Foodstuff
- 5.1.1.2 Drugs and Medicines
- 5.1.1.3 Office/School Supplies
- 5.1.1.4 Clothing/Textile
- 5.1.1.5 Toys
- 5.1.1.6 Shoes
- 5.1.1.7 Bags

5.1.2 Confiscated/forfeited or abandoned commodities/units which are turned over to DSWD (Central and Field Offices) by the Bureau of Customs.

5.2 The Committee on Monetary Valuation shall be created at the Central and Field Offices respectively with the following membership:

5.2.1 Central Office Committee on Monetary Valuation

Chairperson	:	Financial Management Service Director
Vice-Chairperson	:	Administrative Service Director
Members	:	Representative(s) of the following: <ul style="list-style-type: none"> ➤ Program Management Bureau ➤ Accounting Division ➤ Property Management Division ➤ National Resource Operation Center ➤ Procurement & Supplies Division
Consultant/Observer:		COA Representative / Internal Audit Representative
Secretariat	:	FMS Staff

5.2.2 Field Office Committee on Monetary Valuation

Chairperson	:	Chief Management Division
Members	:	<ul style="list-style-type: none"> ➤ Regional Accountant/Designate ➤ Regional Property & Supplies Officer/Designate ➤ Regional Focal Person on Disaster Operations Representative
Consultant/Observer:		Resident Auditor / Internal Auditor
Secretariat	:	Administrative Staff

5.3 The Committee shall conduct inventory, inspection and monetary valuation of donations and issue certificate/s to the effect.

5.4 Method/Basis for Valuation

5.4.1 On Foreign Donation

5.4.1.1 Basic Commodities – includes but not limited to the following;

1. Foodstuff
2. Drugs and Medicines
3. Office/School Supplies
4. Clothing/Textile
5. Others

5.4.1.1.1 The Value of the donated goods should adapt the value indicated in the document or deed of donation if any.

5.4.1.1.2 Coordinate with the Bureau of Customs for the “No Commercial Value” relative to foreign donations such that monetary value can be ascertained.

5.4.1.1.3 In the absence of the Bureau of Customs appraisal index basic commodities shall be appraised and valued **in the order** of the following multiplied by the currency fluctuation factor (CFF)

a) If Current Market Value (CMV) is available:

$$AV = CMV \times CFF$$

b) If CMV is not available, it shall be appraised on its Replacement Cost New (RCN):

$$AV = RCN \times CFF$$

c) If both CMV and RCN are not available, it shall be appraised on its Acquisition Cost (AC) :

$$AV = AC \times CFF$$

5.4.1.2 Used Clothing/Textile

5.4.1.2.1 Coordinate with Bureau of Customs for the "NO COMMERCIAL VALUE" relative to foreign donations such that monetary value can be ascertained.

5.4.1.2.2 In the absence of Bureau of Customs appraisal index; Appraised Value shall be computed as follows:

Conduct sampling of at least to a material level of 10% of the entire donation, considering the following:

- a) QUANTITY – based on unit of weight (kilos, tons, megatons etc...) and/or number of bales.
- b) QUALITY - based on the status and actual usefulness of the items.

Valuation of the items shall be based on the above mentioned criteria.

SLIGHTLY USED = Current Market Value
REMNANTS/SCRAP = No Value

5.4.1.2.3 In case there will be a difference between the ACTUAL VALUE (Issued) and the SAMPLING VALUE (per books); the discrepancy shall be resolved through a resolution.

5.4.2 Local Donations

5.4.2.1 Basic Commodities are to be valued **in the order** of the following:

- a) Current Market Value (CMV)
- b) Replacement Cost New (RCN) if CMV is not available
- c) Acquisition Cost if both CMV and RCN are not available.

5.4.2.2 USED CLOTHING / TEXTILE

5.4.2.2.1 In the absence of Bureau of Customs appraisal index; Appraised Value shall be computed as follows:

Conduct sampling of at least to a material level of 10% of the entire donation, considering the following:

- a) QUANTITY – based on unit of weight (kilos, tons, megatons etc...) and/or number of bales.
- b) QUALITY - based on the status and actual usefulness of the items.

Valuation of the items shall be based on the above mentioned criteria.

SLIGHTLY USED = Current Market Value
REMNANTS/SCRAP = No Value

5.4.2.2.2 In case there will be a difference between the ACTUAL VALUE (Issued) and the SAMPLING VALUE (per books); the discrepancy shall be resolved through a resolution.

6. GUIDELINES

To systematize the valuation system, the following are guidelines hereby prescribed:

6.1 Donations at Central Office/Field Office

- 6.1.1. Any donations intended for or in accordance with the purpose of this guidelines shall be coursed thru the Program Management Bureau at the Central Office or Management Division at the Field Offices.
- 6.1.2. The Program Management Bureau / Management Division shall before acceptance of the donations, conduct necessary inspections and actual counting of the inventory.
- 6.1.3. Upon advice of acceptance by the Program Management Bureau / Management Division, a representative from Program Management Bureau / Management Division shall handle the receipt and acknowledgement of all donations.
- 6.1.4. The Program Management Bureau / Management Division shall acknowledge the receipt of donations through the issuance of Acknowledgement Receipt or Deed of Acceptance and other related documents as maybe requested by the donor based on the actual inventory received.

6.1.5. Upon acceptance, Program Management Bureau / Management Division shall coordinate with the representatives of the member offices and request necessary inventory and valuation on a timely basis depending on the nature of the donations.

6.1.5.1 Hauling

6.1.5.1.1 Highly Perishable – considered emergency request and shall be made within **a day upon completion of release papers and/or approval of concerned offices.**

6.1.5.1.2 **Perishable** – shall be requested within 5 days upon completion of release papers and/or approval of concerned offices.

6.1.5.1.3 **Non-Perishable** – shall be requested within 15 days upon completion of release papers and/or approval of concerned offices.

6.1.5.2 Warehousing

6.1.5.2.1 **Highly Perishable** – considered emergency request and shall be made simultaneously with the hauling service.

6.1.5.2.2 **Perishable** – request shall be made simultaneously with the hauling service or within 5 days upon confirmation of the availability/schedule of the hauling service.

6.1.5.2.3 **Non-Perishable** – request shall be made simultaneously with the hauling service or within 15 days upon confirmation of the availability/schedule of the hauling service.

6.1.5.3 Valuation/Monetization of Inventory

6.1.5.3.1 **Highly Perishable** – considered emergency request and shall be made within 2 days upon transfer of the goods to the agency warehouse and/or authorized storage facility.

6.1.5.3.2 **Perishable** – request shall be made within 5 days upon transfer of the goods to the agency warehouse and/or authorized storage facility.

6.1.5.3.3 **Non-Perishable** – request shall be made within 15 days upon transfer of the goods to the agency warehouse and/or authorized storage facility.

6.1.6. Frequency on the conduct of inventory and monetization will depend on the request of PMB/Management Division or as the need arises.

7. REPORTING

7.1. The Monetization/Valuation Committee shall submit duly signed monetary valuation report to the Accounting Division/unit within 5 days upon the conduct of inventory and completion of necessary supporting documents for proper recording to the books of accounts copy furnished the Programs Management Bureau (PMB), Property Management Division (PMD), National Resource Operation Center (NROC), and DSWD - Commission on Audit (COA).

7.2. Report of Supplies and Materials Issued (RSMI) along with the Original Requisition and Issuance Slip (RIS) shall be submitted by National Resource Operation Center (CO) / Supplies Unit (FO) to the Administration Director (CO) / Division Chief of Administration (FO) thru the Procurement and Supplies Division/Supplies Unit for submission to the Accounting Division/Unit on a monthly basis.

8. EFFECTIVITY

This order shall take effect immediately and all issuances, systems and procedures not consistent with this order are therefore rescinded.


LUWALHATI F. PABLO
OIC-Secretary

