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Department of Social Welfare and Development

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MEMORANDM CIRCULAR

No. 19
Series of 2009

SUBJECT: AMENDED GUIDELINES ON DSWD INSPECTION COMMITTEE

I. RATIONALE

The Commission on Audit (COA) Circular No. 95-006 dated 18 May 1995 provides that inspection of COA is no longer a prerequisite neither for acceptance nor for payment. Hence, pre-audit activities are considered part of the accounting and fiscal control processes of every government agency.

Inspection as defined by COA in its Procurement and Supply Management System is the examination or testing of supplies and services including raw materials and components to determine whether the supplies and services conform to contract requirements, such as but not limited to applicable drawings, specifications and purchase description.

The Inspection and Acceptance Committee (IAC) was created in 1992 as an internal control system of the Department under the principle of check and balance. It was strengthened in 1995 to pursue the mandate of the aforesaid COA Circular. By virtue of Department Order (D.O.) No. 05 series of 2000, the inspection and acceptance functions of the IAC were segregated for better responsiveness and check and balance as well as to involve the requisitioning end-user in the process, thus renaming the IAC Inspection Committee (IC).

The acceptance function is lodged with the requisitioning officer / end-user in case of direct purchases or the property officer in case of procurements for agency's provision to replenish stock pursuant to Paragraph c of Section 465 under Article 16 of Volume I Government Accounting and Auditing Manual (GAAM) which states that:

"All items to be inspected shall invariably be accepted first by the requisitioning or property officer."

Over the years, there has been a need to refine existing internal control system including inspection, hence these amended guidelines.

II. LEGAL BASES

1. **Memorandum dated 21 April 2002** signed by Undersecretary Luwalhati F. Pablo reconstructing the DSWD Inspection Committee to be composed of two teams.

2. **Memorandum dated 31 May 2000** signed by Undersecretary Luwalhati F. Pablo on the guidelines in the conduct of acceptance and inspection of goods as prescribed in D.O. No. 5 series of 2000.
3. **Department Order No. 07 series of 2000** – implementing rules and regulations on COA Circular No. 95-006 dated 21 June 2000 signed by then Vice President and DSWD Secretary Gloria M. Arroyo.
4. **Department Order No. 05 s. 2000** – amending Department Order No. 09 s. 1992 renaming the IAC to Inspection Committee dated 10 May 2000 signed by then Vice President and DSWD Secretary Gloria M. Arroyo.
5. **COA Circular No. 95-006** – total lifting of pre-audit on all financial transactions of the National Government agencies, government-owned and/or controlled corporations and local government units dated 18 May 1995.
6. **Department Order No. 10 s. 1995** – strengthening the DSWD Inspection and Acceptance Committee signed by then Acting Secretary Lina B. Laigo dated 10 May 1995.
7. **Department Order No. 009 s. 1992** – creation of an Inspection and Acceptance Committee (IAC) signed by then Secretary Mita Pardo De Tavera.

III. OBJECTIVE

To amend previous guidelines in order to provide specific guidance in the implementation of pre/post repair evaluation and inspection of supplies, materials, equipments, vehicles and services rendered towards achieving economic efficiency and effectiveness in the management and utilization of the Department's resources.

IV. COVERAGE

These guidelines shall cover the Department's Central and Field Offices.

V. COMPOSITION AND TERMS OF THE INSPECTION COMMITTEE

The Head of the Agency/Field Office shall designate an Inspection Committee that shall be under the technical supervision of the Director of CO–Administrative Service/Chief of FO–Management Division through a Special Order to be composed of the following:

1. **Chairperson**

The Chairperson of the IC shall be a second level employee of the Department under permanent status who shall be responsible on the assignments of the inspector(s) and in the approval of their findings/recommendations.

2. **Permanent Members**

2.1 The IC shall have at least three (3) or more than permanent members, exclusive of the Chair. One of whom shall be designated as the alternate chair and another as the 2nd alternate chair to ensure no delay in the inspection service.

2.2. The members of the IC shall be first and second level employees under permanent status selected from the different clusters of the Department/ Field Office for their expertise and technical knowledge related to office equipment/supplies/materials, printing, radio communication, motor vehicles, and construction materials.

2.2 They shall perform the functions enumerated in Section VI of these guidelines.

2.3 Their permanence and availability are crucial to ensure no delay in the inspection of supplies and materials delivered.

3. **Provisional Member**

The designated supply officer (DSO) of the Offices/Bureaus/Services/Units (OBSUs) shall be automatically included as provisional member of the IC to ensure that the items procured/delivered meet the specifications of the requesting unit.

4. **Terms and Conditions**

The Chairman and all members of the Committee:

4.1 Shall have a two-year term reckoned from the date of designation, renewable at the discretion of the Head of the Agency or his/her designated authority;

4.2 Should not be a staff or member of the Bids and Awards Committee (BAC) and its Secretariat, Property Disposal and Awards Committee (PDAC), Finance Service, Internal Audit Service, Legislative and Liaison Office, Donations Facilitation Office, Property and Procurement Divisions;

4.3 Should not have administrative and/or criminal case; and

4.4 Should be willing to work overtime when services are needed.

5. Secretariat

The CO-Administrative Service / FO-Management Division shall provide an office and personnel for the IC Secretariat who shall be responsible in ensuring the facilitation and tracking of the requests for inspection.

VI. FUNCTIONS OF THE INSPECTION COMMITTEE

The IC shall perform the following functions:

1. Check the completeness and authenticity of supporting documents upon receipt of the request for inspection.
2. Proceed to delivery site and conduct inspection and testing procedures when necessary.
3. Inspect prior to payment the goods bought by the Department to ensure that such goods to be paid are in accordance with the specifications.
4. Inspect goods donated to the Department.
5. Inspect consumable and perishable items.
6. Act as pre/post-repair evaluators and as the "authorized/property inspectors" of the Department.
7. Ensure that the necessary inspection procedures are done with transparency and in accordance with generally-acceptable accounting and auditing principles including the involvement of COA or other outside experts when the need calls for it.
8. Submit the inspection report to the COA Auditor within 24 hours from inspection of the items delivered (COA Circular 95-006)
9. Issue a formal report addressed to the Head of the Agency in case material finding/s arise in the inspection.
10. Do other related tasks to ensure that the objectives of relevant guidelines and orders are realized.

VII. IMPLEMENTING GUIDELINES

The IC shall be guided by the following:

1. Inspection shall be undertaken by the authorized inspector(s) of the agency.

2. All items to be inspected must be accepted first by the requisitioning or property or procurement officer pursuant to the provisions of GAAM Volume I.
3. All inspection of goods/supplies and services shall be conducted in the most economical and expeditious manner consistent with the best interest of the government and shall conform to the provision of applicable accounting and auditing regulations and standards, sampling procedures (statistical), quality control procedures, policies relating to uniform method of interpreting specifications.
4. Inspection involves the presentation of the following to the IC:
- 4.1 Approved request for inspection from the Property/Procurement Officer;
 - 4.2 Duly signed Certificate of Acceptance;
 - 4.3 A properly executed RIS which indicates the description of the item/s quantity, specifications, among others, duly signed by the authorized supervisor of the OBSU and approved by the authorized signatory;
 - 4.4 Approved Contract or Purchase/Letter Order (PO/LO);
 - 4.5 The item/s that was/were purchased;
 - 4.6 Invoices, Delivery Receipts and other documentations from the supplier;
 - 4.7 Other documents specified in the contract necessary to determine conformance with specifications; and
 - 4.8 Duly accomplished report of waste materials, whenever applicable.
5. The IC undertakes inspection together with the requesting/accepting party or end-user as observer by verifying/confirming if the supplies and materials presented are in accordance with the specifications of the requisitioning unit in terms of:
- 5.1 Description of the item/s as indicated in the RIS;
 - 5.2 Specifications and condition/functional performance;
 - 5.3 Quantity; and
 - 5.4 Price.
6. Supplies or property tested and found to be in accordance with the required specifications shall be accepted. However, where there is a trend of shortage in quantity, deficiency or defectiveness in quality as established, the inspector may recommend rejection of the goods.
7. For transactions involving purchases amounting to less than fifteen thousand pesos (Php15,000.00) per PO/LO, inspection can be undertaken by any permanent member of the IC to be noted by the Chair or the alternate Chair in

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his absence. This will be accomplished by noting his findings and writing "Inspected" on the invoice, or in it stead, the Delivery Receipt, of the supplier followed by the signature over the printed name of the inspector and the date of inspection.

8. Transactions exceeding fifteen thousand pesos per PO/LO (which needs to be canvassed pursuant to DSWD Memorandum Circular No. 2 Series of 2007 and to Auditing Requirements for Typical Government Disbursement) need at least two signatures, namely: one permanent member plus the chairperson or the vice-chair using the prescribed forms (Annex "A")
9. Inspection of non-consumable items such as purchase or repair of equipment, vehicles, printed materials subcontracting of various services among others shall be guided by the following:
 - 9.1 Two permanent members of the IC together with the provisional member shall undertake the inspection of the item/s to verify if the said item/s delivered meet the specifications indicated in the RIS, PO/LO.
 - 9.2 The permanent members shall prepare the report with the concurrence of the provisional member and the approval of the chairman or the vice chair.
 - 9.3 The report shall then be submitted to the COA Auditor within twenty-four (24) hours from the inspection of the item/s delivered.
10. Report of inspection of all consumables shall be submitted to the COA Auditor within 24 hours.
11. The IC report is a pre-requisite to the payment of all transactions involving procurement of materials, supplies and services.
12. Final acceptance and payment of the transaction shall be based on its full compliance with respect to price, quantity, quality and all other specifications.

VIII. EFFECTIVITY

This Circular shall take effect immediately and repeals or modifies all other issuances contrary to it.

Done in Quezon City this 14th day of July 2009


ESPERANZA I. CABRAL, M.D.
Secretary

