



Republic of the Philippines
Department of Health
OFFICE OF THE SECRETARY

November 11, 2002

ADMINISTRATIVE ORDER
No. 170 s. 2002

Subject : Guidelines for the Inspection and Acceptance of goods procured by, or donated to DOH

I. RATIONALE

The implementation of the Executive Order No. 40 which consolidates all previous procurement guidelines, and the New Government Accounting System (NGAS) have impelled the Department of Health to re-formulate its systems and procedures in inspection and acceptance to assure consistency, harmonization and compliance with the provisions of the subject frameworks, and their guides to action. It is with such premise that this Order is issued.

II. SCOPE AND COVERAGE

This Order shall cover all inspection and acceptance activities for goods at the DOH Central Office. The goods ascribed hereto are those procured by DOH including those donated and transferred without cost.

III. GENERAL PROVISIONS

1. An Inspection and Acceptance Committee (IAC) shall be established by the DOH and its Officers and Members shall be covered by the appropriate Department Order.
2. Each subject matter expert unit/ office or "clearing house" within the DOH must be represented in the aforesaid Committee to assure the availability of pool of experts.
3. The Committee shall undertake Works following the existing and applicable rules and regulations for inspection and acceptance, e.g. New Government Accounting System applicable specific provisions in the Government Accounting and Auditing Manual (GAAM) Vol. I, and other relevant DOH specific issuance.
4. Inspection and acceptance works shall include the appropriate sampling protocols. The Inspection and Acceptance Committee, with the assistance of the Material Management Division (MMD), shall be responsible in the re-packaging and labeling of samples to be sent for testing.

5. The Inspection and Acceptance Committee shall act as a collegial body.
6. Any dissenting opinion as an outcome of the inspection process must be elevated to the COBAC for deliberation and resolution, if the goods are procured by the DOH.
7. For donated goods, the Inspection and Acceptance Committee shall elevate dissenting opinion to the Donee and the Undersecretary concerned to which the Donee unit is directly under.
8. The Inspection and Acceptance Committee can not waive specifications of delivered goods, which are not in conformity with agreed procurement specifications.
9. The initiating Office that will request for Waiver of specification for procured goods shall be the End-User Office. The request for waiver and the reasons for such shall be addressed to the Director-in-Charge of the MMD. The MMD, in coordination with the appropriate "clearing house", shall undertake completed staff work to determine the merit of the request and its advantageousness to the government and shall thereafter forward its preliminary findings to the Central Office Bids and Awards Committee (COBAC) for final review. The COBAC shall render the appropriate recommendation for the approval of the Secretary of Health.
10. The Inspection and Acceptance of Donated Goods and Goods Transferred without cost shall follow the general procedures and required Forms as that prescribed for procured goods in the absence of specific instructions.
11. All expenses incurred as a result of sending samples to the appropriate testing center's, e.g. Bureau of Food and Drugs (BFAD), Research Institute for Tropical Medicine (RITM), Industrial Technology Development Institute (ITDI), Bureau of Plant Industry (BPI), etc., shall be vested on the Requisitioning Office, unless special arrangements (e.g. BFAD) are secured that grant waiver for testing fees. For donations, the testing cost shall be vested on the specific Donee Office/Unit.

IV. SPECIFIC PROVISIONS AND INSTRUCTIONS

1. The Inspection and Acceptance Committee (IAC) shall use the DOH specific form, so approved by the Commission on Audit in its August 28, 2002 letter to DOH, which is consistent with that prescribed by the New Government Accounting System.
2. The additional function of the personnel assigned to the IAC shall form part of their performance contract for the duration of their membership.
3. The Chairperson of the IAC shall assure that schedules are arranged such that, there will always be a representative from the Committee at anytime of the official working day.
4. The Chairperson of the IAC or his representative shall sign on the Inspection and Acceptance Report (IAR) (Annex A) under the Inspection Box. Prior to his signing two imprimaturs shall be required, one from the end-user representative and the other from the member of the Committee as

listed above. The imprimaturs so reflected shall be construed that the items were inspected.

If the items inspected were found to be in conformity with the specifications, a check shall be reflected on the "Acceptable" check box.

For items that must be rejected, the reason for rejection must be stated, and thereafter a check on the "Rejected" check box must be reflected.

In case that there are a combination of acceptable and rejected items within a same contract, an asterisk which marks the rejected item must be reflected per item under the "Description" column. Both the "Acceptable" and "Rejected" check box must accordingly be checked in this case.

For items that require testing, the Inspection and Acceptance Committee must check the corresponding check box and must state the name of the appropriate test facility.

5. The Chairperson of the COBAC upon the recommendation of the Chairperson of the IAC shall likewise be authorized to deputize other personnel of the DOH whose technical expertise are required in order for the Committee to arrive at sound and scientific evaluation of the specifications of procured goods. For donations such authority shall be vested on the Undersecretary concerned to which the Donee unit is directly under and upon the recommendation of the Chairperson of the IAC.

6. The Chief of the Material Management Division or his/her representative shall sign on the Acceptance Box of the Inspection and Acceptance Report. A single initial or imprimatur (in case, the name of receiving PLS personnel is explicitly manifested in the Acceptance Box) shall be required before such signing and such acceptance shall be construed as an attestation of the receipt of goods based on quantity only.

7. The Inspection and Acceptance Report must be accomplished by the Inspectors and the Property Officer for perfection. It shall be accomplished in quadruplicate copies and shall be distributed as follows:

- a. original copy - Attached to Disbursement Voucher for payment purposes and entry to the appropriate book of accounts (For donations this should be directly endorsed to the Finance Service for booking)
- b. Duplicate copy - Inspection and Acceptance Committee
- c. Triplicate copy - Material Management Division, PLS
- d. Quadruplicate copy - BAC Secretariat, for Supplier Performance Monitoring

Such submission shall be construed that the items delivered have been accepted and inspected and were found to be in accordance With the specifications, except when the Committee explicitly manifest rejection of any or all items covered in the report and the reason for such partial or total rejection. (The Chief of the Material and Management Division or his/her representative shall no longer accomplish and submit the Acceptance Report based on COA Memo Circular 83-333 to the

Commission on Audit (COA) per letter of COA to PLS dated August 28, 2002 which confirms the revocation of the said issuance by virtue COA Circular No. 2002-002 dated June 18, 2002.)

8. Inspection shall only be conducted during Official hours. An exception to this instruction are those that are with explicit authorizations from the Secretary of Health, upon the written request of the end-user units or when emergencies transpire wherein immediate inspection of the goods will preclude unnecessary delays that might result to loss of life and property, as may be attested by the Undersecretary concerned.

9. Inspection shall only be conducted once the PLS has turned over the appropriate documents for:

a. Procured Goods (e.g. bid documents, procurement request, terms of reference, approved technical specifications, Consular Invoice for items coming from abroad)

b. Donated Goods (e.g. Deed of Donation, Consular Invoice for items coming from abroad, technical specification including appraised cost, Certificate from the specific Donee Office or beneficiary that the items are needed and useful and are acceptable for utilization within Philippine setting)

c. Transfer without cost (e.g. Invoice Receipt of Property with complete detailed specifications and acquisition cost, Certificate from the specific Donee Office or beneficiary that the items are needed and useful and are acceptable for utilization within Philippine setting)

Exception to this provision, are those items procured through cash advance and those works covered through job orders.

10. The Inspection and Acceptance Committee, with the assistance of the Material Management Division, shall be responsible in conducting sampling protocols. It shall be required to undertake the re-packing of sampled items, the preparation of labels on the container and the rendering of appropriate markings to preclude tampering of samples to be sent for testing.

11. The Material Management Division shall maintain the signature specimen of the Officers and Members of the Inspection and Acceptance Committee to assure the integrity of packed samples while in their possession or when in transit towards the appropriate testing center. For monitoring purposes, it shall also maintain a logbook for items sent for testing reflecting therein the description of the items sent, covering contract title/number, dates of turn-over to the test center, dates of test results, dates of retrieval of test results, conspicuous markings made by the Inspection and Acceptance Committee.

12. The Material Management Division shall be responsible in sending the sampled items to the appropriate testing center. It shall coordinate with the Requisitioning Office to assure that the latter pays the cost of testing as manifested by Official Receipts.

13. In the event, that samples from procured goods which were sent to the appropriate testing

centers, fail the required test, the Material Management Division shall prepare a quadruplicate copies of report which shall be distributed and addressed to the following:

- a. Original copy - Inspection and Acceptance Committee
- b. Duplicate - Material Management Division file copy
- c. Triplicate - Supplier concerned
- d. Quadruplicate - BAC Secretariat for Supplier Performance Monitoring and report to COBAC

Failure of the samples to pass the appropriate testing shall be tantamount to the rejection of the represented batch or lot of items delivered.

However, such rejection of items shall not be construed as an outright rejection of the other batches or lots under the covering contract (if there is any), which had actually passed the corresponding required test or whose results are still pending. Nor shall it be construed as an outright rejection of the entire covering contract.

In case of rejections, the COBAC shall deliberate to determine the advantageousness to the government of the existing contract by primarily considering the following parameters among other factors:

- a. Readily available replacement deliveries coming from the same supplier;
- b. In case the main supplier can no longer sustain the demands within the optimum time required by the project, the readiness of another supplier (2nd Lowest Calculated and Responsive Bidder) to undertake delivery of the sought goods within the contract price or if it exceeds the contract price, the solvency of the main supplier to cover for the excess amount offered by the secondary supplier.
- c. The time required to undertake another bidding or procurement execution vis-a-vis the project schedules.

14. For donated goods that have failed the required testing, the MMD shall forward the results and prepare the appropriate report in quadruple copies that shall be distributed as follows:

- a. Original copy - Inspection and Acceptance Committee
- b. Duplicate - Material Management Division file copy
- c. Triplicate - Donor
- d. Quadruplicate - Donee

The Donee and the IAC shall then jointly notify the donor about the results of the testing and shall convey the corresponding rejection of the goods, which failed the testing.

15. In the case of job orders and cash advance, the End-User Units /Services /Bureaus/Offices within the Central Office shall directly correspond to the concerned Inspection and Acceptance Committee to request for inspection. Appended in such correspondence are official Proofs of

Receipts (Invoices, Delivery Receipts, Canvasses, Abstracts of Canvass, etc) and Job Order (if works). The Members and Officers of the Committee shall affix their signature on the Inspection Box, while the Administrative Officer of the End-User Units/Services/Bureaus/Offices within the Central Office or his/her equivalent shall sign on the Acceptance Box of the IAR.

16. Representatives from the end-user shall be mandatory members of the Committee and shall therefore reflect their signature on the Inspection and Acceptance Report under the Inspection Box.

17. All IARs must be chronologically numbered and must be dated based on the actual date (s) of inspection and acceptance, respectively.

18. There should be no erasures or alteration on the Inspection and Acceptance Report, otherwise it shall be rendered invalid.

V. COORDINATING INSTRUCTIONS

(1) The Heads of End-User Units/Services/Bureaus/Offices within the Central Office are enjoined to coordinate with the Inspection and Acceptance Committee and the Materials Management Division to assure the availability of their representatives during the conduct of inspection. As such, they shall be required to submit the names of their representative to the Chairman of the Inspection and Acceptance Committee within three days from the publication or approval of this Order. Representatives may be changed only upon the written notification of the concerned Heads of End-User Units/Services/Bureaus/Offices to the Chairman of the Inspection and Acceptance Committee.

(2) The Director of the Bureau of Food and Drugs shall likewise assure the availability of BFAD inspectors and shall therefore issue the corresponding Bureau Order to this effect.

(3) All expenses incurred by the Committees described hereon shall be charged to the Procurement Development Fund subject to the availability of funds and accounting and auditing rules and regulations.

VI. REPEALING CLAUSE

Any provision of previous Orders inconsistent to these Guidelines are hereby superseded and modified accordingly.

VII. EFFECTIVITY

This Order shall be effective on November 18, 2002.

MANUEL M. DAYRIT, M.D., MSc.
Secretary of Health