

SIXTEENTH CONGRESS OF THE REPUBLIC )  
OF THE PHILIPPINES )  
Third Regular Session )



15 SEP 10 P1:30

SENATE  
P. S. R. No. 1580

RECEIVED BY: *[Signature]*

Introduced by Senator Miriam Defensor Santiago

RESOLUTION  
DIRECTING THE PROPER SENATE COMMITTEE  
TO CONDUCT AN INQUIRY, IN AID OF LEGISLATION,  
ON THE 2014 COMMISSION ON AUDIT REPORT THAT THE PHILIPPINE NAVY  
FAILED TO COMPLY WITH THE GOVERNMENT PROCUREMENT REFORM ACT IN  
ITS PURCHASE OF GOODS AND SERVICES TOTALING ₱239 MILLION

1 WHEREAS, the Constitution, Article 2, Sections 27 and 28 provide:

2 Section 27. The State shall maintain honesty and integrity in the public  
3 service and take positive and effective measures against graft and corruption.

4 Section 28. Subject to reasonable conditions prescribed by law, the State  
5 adopts and implements a policy of full public disclosure of all its transactions  
6 involving public interest.

7 WHEREAS, according to the 2014 Commission on Audit (COA) report, the Philippine  
8 Navy mostly used its cash advances granted to its Special Disbursing Officers (SDOs) totaling  
9 ₱239 million for the procurement of goods and services through Over-The-Counter purchase,  
10 which is contrary to the provisions of COA Circular No. 97-002 dated 10 February 1997 and  
11 Republic Act No. 9184, also known as the "Government Procurement Reform Act";

12 WHEREAS, COA Circular No. 97-002 provides that all payments must be made by  
13 check, and payments by cash is only allowed when it is difficult, impractical, or impossible to  
14 make payments by check;

15 WHEREAS, R.A. No. 9184, Section 10 requires competitive bidding as the primary  
16 mode of procurement while Section 48 provides the guidelines on the alternative methods of  
17 procurement;

18 WHEREAS, state auditors revealed that it has been the practice of the Philippine Navy to  
19 grant monthly cash advances to the SDOs to cover its operational requirements;

20 WHEREAS, based on the COA report, in 2014, cash advances amounting to  
21 ₱239,081,009.83 were granted to SDOs of the Philippine Navy's nine operating units;

1           WHEREAS, the report provided a breakdown of the agency's expenditures, which  
2 included the following:

- 3           – Training Expenses – ₱14 million
- 4           – Office Supplies Expenses – ₱17 million
- 5           – Medical, Dental and Laboratory Supplies Expenses – ₱5 million
- 6           – Other Supplies and Materials Expenses – ₱102 million

7           WHEREAS, the COA report stated that the expenditures pertained mostly to the  
8 purchases of common-use supplies that are regularly needed in the day to day operations of the  
9 agency;

10           WHEREAS, according to the COA, considering the huge amounts involved, the  
11 procurement should have been made through competitive bidding and/or other modes of  
12 procurement required under R.A. No. 9184, which could have resulted to better concessions for  
13 the government;

14           WHEREAS, the COA report further disclosed that the government was also deprived of  
15 revenue from taxes that should have been withheld from the payments, as mandated under BIR  
16 Revenue Memorandum No. 62-004;

17           WHEREAS, the state auditors recommended that the Philippine Navy should:

18           1. Comply with R.A. No. 9184, particularly the procurement through public bidding, to  
19 ensure that the government obtains the best bargain in all its purchases;

20           2. Limit the grant of cash advances for small, emergency, and unprogrammed expenses  
21 to minimize or lessen the risk in handling huge amounts of cash that could lead to misuse or  
22 defalcation; and

23           3. Comply with the requirement of the use of checks in its transactions;

24           WHEREAS, the Congress, in consultation with the COA, should assess the existing  
25 procurement policies and procedures not only to ensure transparency and good governance in all  
26 government offices but to also address the issues that lead to non-compliance with and violation  
27 of our procurement law and other applicable rules;

1           WHEREFORE, BE IT HEREBY RESOLVED BY THE PHILIPPINE SENATE to direct  
2 the proper Senate committee to conduct an inquiry, in aid of legislation, on the 2014  
3 Commission on Audit report that the Philippine Navy failed to comply with the Government  
4 Procurement Reform Act in its purchase of goods and services totaling ₱239 million;

Adopted,

  
MIRIAM DEFENSOR SANTIAGO  
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