

Executive Order No. 240

MANDATING THE UNDERSECRETARY FOR INTERNAL CONTROL OF THE DEPARTMENT OF DEFENSE TO INSTITUTIONALIZE REFORMS IN THE PROCUREMENT AND FUND DISBURSEMENT SYSTEMS IN THE DEPARTMENT OF NATIONAL DEFENSE AND THE ARMED FORCES OF THE PHILIPPINES

WHEREAS, it is the policy of the State to improve moral standards in government and in society;

WHEREAS, as a pillar of good governance, the government adopts and implements a philosophy of transparency in all government actions;

WHEREAS, in line with the government's program of good governance, there is a need to streamline procedures for defense contracts for the expeditious implementation of defense projects and the speedy response to security threats while promoting transparency, impartiality, and accountability in government transactions;

WHEREAS, an interim Task Force was created to study and reform the procurement and fund disbursement systems of the Armed Forces of the Philippines (AFP) vis-à-vis delivery of mandate and functions;

WHEREAS, the aforesaid Task Force has completed its work and had immediately implemented some of its recommendations including the institutionalization of a single Bids and Awards Committee (BAC) within the AFP, among others;

WHEREAS, to sustain and institutionalize these initiatives in the AFP to ensure the continuous execution of such reform measures within the organization, a complementary Department of National Defense (DND) structure will be necessary to rationalize the operational systems and reporting procedures of the Department.

NOW, THEREFORE I, GLORIA MACAPAGAL-ARROYO, President of the Republic of the Philippines, by virtue of the powers vested in me by law, do hereby order:

SECTION 1. CREATION AND MANDATE. The Office of the Undersecretary of Internal Control is hereby created in the DND. Part of its mandate shall be to



institutionalize reforms in the procurement and fund disbursement systems in the AFP and the DND.

SECTION 2. DUTIES AND FUNCTIONS. In pursuit of the mandate cited in Section 1 hereof, the Undersecretary for Internal Control shall have the following duties and functions:

- a) To recommend and implement improvements in the procurement and fund disbursement systems in the DND and the AFP and to ensure timely delivery of logistical requirements with the right quality and quantity.
- b) To ensure the efficiency of the procurement and fund disbursement systems of the DND and the AFP vis-à-vis the delivery of the respective mandate and functions of these institutions.
- c) To ensure that adequate internal controls are in place at the DND and the AFP in the areas of procurement and fund disbursement systems, to determine adherence to existing rules and regulations and their responsiveness to operational requirements. The Undersecretary shall therefore facilitate the establishment of Internal Audit Service Units both at the DND and AFP levels to fulfill this objective, in accordance with Republic Act (R.A.) No. 3456 dated 17 May 1962 as amended by R.A. No. 4177 dated 26 May 1965, and Administrative Order (A.O.) No. 278, dated 28 April 1992 as amended by A.O. No. 70, dated 14 April 2003.
- d) To coordinate with concerned government and non-government institutions the conduct of capacity-building activities and skills enhancement trainings in the areas of procurement and fund disbursement to concerned entities of the DND and the AFP, to equip the latter with appropriate tools and techniques on the same.
- e) To facilitate the establishment of a single BAC in the DND for AFP procurement contracts over P50 Million such as centrally managed and peculiar items. The Undersecretary shall likewise ensure proper implementation of Executive Order No. 235, s. 2003, entitled "Streamlining the Rules and Procedures of Defense Contracts" for AFP-wide procurement below P50 Million.

SECTION 3. MULTISECTORAL SUPPORT. In its mandate, duties and functions cited and Sections 1 and 2 hereof, the following are enjoined to assist the Office of the DND Undersecretary for Internal Control:

Assistant Commissioner Arcadio Cuenco, Commission on Audit
Assistant Executive Secretary Allberto Bernardo, Internal Audit Service-Office of the President

Major General Cicero Castellano, Armed Forces of the Philippines



PGMA Hologram # 22269

Major General Carlos Garcia, Armed forces of the Philippines
Director Virginia Garriel, Department of Budget and Management
Director Ricardo San Andres, Association of Government Internal Auditors of the Philippines
Professor Victor S. Limlingan, Asian Institute of Management.

For the purpose of the mandate, duties and functions cited herein, the Undersecretary shall be supported by a secretarial staff, the members of which shall be determined and constituted by the Internal Audit Service of the Office of the President.

SECTION 5. EFFECTIVITY. This Executive Order shall take effect immediately.

Done in the City of Manila, on 24 September in the year of our Lord two thousand and three.

G. Marrogo



By the President:

Alberto G. Romulo

ALBERTO ROMULO
Executive Secretary



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Date