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DepEd ORDER
 No. 39, s. 2002

GUIDELINES ON THE IMPLEMENTATION OF SECTION 78 OF R.A. 9162
(Lease-Rental of Computers and Other Information Technology (I.T.) Equipment)

To: Undersecretaries
 Assistant Secretaries
 Bureau Directors
 Directors of Services/Centers and Heads of Units
 Regional Directors

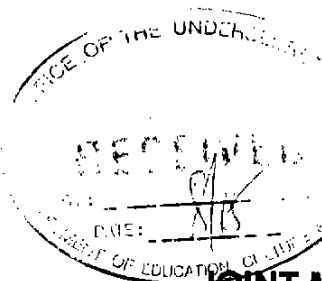
1. For the information and guidance of all concerned, enclosed is a copy of Joint Memorandum Circular No. 2002-01 of the Department of Budget and Management and National Computer Center, entitled "*Rules and Regulations to Implement Section 78 Lease Rental of Computers and Other Information Technology (I.T.) Equipment Under R.A. 9182 of FY 2002.*"
2. Immediate and wide dissemination of this Order is directed.

R. C. Bacani
 RAMON C. BACANI
 Undersecretary

Reference: None
 Allotment: 1—(D.O. 50-97)
 To be indicated in the Perpetual Index
 under the following subjects:

INFORMATION TECHNOLOGY
 LEGISLATIONS
 RULES & REGULATIONS

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Making ICT Serve the People



JOINT MEMORANDUM CIRCULAR NO. 2002-01

FOR : ALL HEADS OF THE NATIONAL GOVERNMENT DEPARTMENTS/AGENCIES/BUREAUS, GOVERNMENT OWNED AND CONTROLLED CORPORATIONS, GOVERNMENT FINANCIAL INSTITUTIONS, STATE COLLEGES AND UNIVERSITIES, LOCAL GOVERNMENT UNITS AND COA RESIDENT AUDITORS

SUBJECT: RULES AND REGULATIONS TO IMPLEMENT SECTION 78 "LEASE-RENTAL OF COMPUTERS AND OTHER INFORMATION TECHNOLOGY (I.T.) EQUIPMENT" UNDER R.A. 9162 of FY2002

SECTION 1.0 RATIONALE

Pursuant to Section 78 of the General Appropriations Act (GAA) of Fiscal Year (FY) 2002, the Department of Budget and Management (DBM), in consultation with the National Computer Center (NCC) and the Chairman, Commission on Audit (COA), was tasked initially to issue the rules and regulations necessary to implement Section 78. However as per Section III, Item C of the President's Veto Message (i.e., Special and General Provisions Subject to Guidelines Formulated by Appropriate Agencies), NCC was tasked to craft the rules and regulations to implement Section 78 of the GAA.

SECTION 2.0 STATEMENT OF POLICY

Section 78 of the GAA for FY2002 states as follows:

"Lease-Rental of Computers and Other Information Technology (I.T.) equipment. As integral part of the fiscal discipline measures mandated by Section 52 hereof, it is hereby declared the policy of the government to "scale-down" expenditures on the acquisition and maintenance of computers and other information technology (I.T.) equipment as well as in the implementation of the computerization programs of government offices and agencies.

For this purpose, all departments, bureaus, offices and agencies with authorized appropriations in this Act for computerization programs, purchase of computers, or for the acquisition of any other I.T. equipment, shall instead be used for the lease-rental of said computers and I.T. equipment: PROVIDED, That the appropriations authorized in this Act for purchase of computers intended for distribution to public schools and any other approved beneficiaries of I.T. equipment shall be exempted from the coverage of this Section.

The rules and regulations to implement this Section shall be issued by the Secretary of Budget and Management in consultation with the National Computer Center and the Chairman, Commission on Audit. (CONDITIONAL IMPLEMENTATION - President's Veto Message, January 21, 2002, page 1328, R.A. No. 9162)"

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Section 36.6 of the Implementing Rules and Regulations (IRR) of E.O. No. 40 issued October 8, 2001 states that "The lease of common ICT equipment (personal computers, printers, scanners, including copiers) may be resorted to in order to save on the annual budget of the agency and take advantage of advances in information technology. However, the lease-rental of said equipment shall be subject to public bidding. As a guide, the prevailing assumption of lease rental contracts is a useful life for ICT equipment of at least three (3) years."

SECTION 3.0 SCOPE AND LIMITATION

These rules and regulations shall apply to lease-rental of computers and other I.T. equipment by any government agency for the FY2002.

Computers and other I.T. equipment, for the purpose of these rules and regulations, shall cover hardware and auxiliary devices necessary to ensure responsive and efficient I.T. operations. These consist of:

- a. Primary devices such as processors, system boards and storage devices. These devices are separate items which, when assembled together, form the main computer unit.
- b. Peripheral devices, which include input devices, output devices, terminals, secondary storage devices and networking devices/communication equipment. Peripherals include machine components that are attached to a computer.
- c. Auxiliary devices that include multiplexers, automatic voltage regulators, uninterruptible power supply, and others.

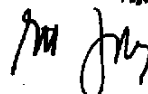
A partial list of computers and other I.T. equipment is provided in **Annex "A"** for reference. Lease-rent of any other I.T. equipment not found in the list may be covered under this circular provided that such equipment meet the following definition:

- The physical aspect of computers, telecommunications and other information technology devices. It is commonly referred to as the "box", the electronic circuitry and components of a computer but excludes the program (software) that is put in it to make it do things. Any equipment or interconnected system or subsystem of equipment, that is used in the automatic acquisition, manipulation, management, movement, control, display, switching, interchange, transmission, or reception of data or information.
- As provided in Section 2.5 of COA Circular No. 97-003, "I.T. Equipment refer to I.T. resources for use in connection with government operations having a value of ₱10,000.00 and above with life expectancy of more than one year."

Procurement of the items found in **Annex "A"** as consumables and considered as supplies due to its low value shall not be covered under this Circular. (Section 2.3 to 2.5 of the COA Circular No. 97-003 dated May 22, 1997 defines I.T. Supplies and Materials).

For purposes of this circular, agencies may consider other leasing agreements, as follows:

- Lease-transfer - concerned government agency enters into a lease agreement for a fixed period after which ownership of the computers and other I.T. equipment is automatically transferred to the government agency concerned upon payment of an agreed additional fee to cover the transfer of ownership.
- Lease-to-own - concerned government agency enters into a lease agreement for a fixed period with an arrangement of automatic ownership of the computers and other I.T. equipment after the expiration of the lease period.



SECTION 4.0 CRITERIA FOR LEASE-RENT OF COMPUTERS AND OTHER I.T. EQUIPMENT

All departments, bureaus, offices and agencies with authorized appropriations in the GAA for FY2002 for computerization programs, purchase of computers, or for the acquisition of any other I.T. equipment, shall acquire computers and other I.T. equipment on a lease-rent scheme, **except when a cost-benefit analysis (CBA) shows that purchase of computers is more beneficial to the agency than to lease-rent the same.** When making the cost-benefit analysis, the total cost should include other incidental costs like equipment insurance cost, maintenance cost, disposal cost, license cost and the like.

However, agencies who are into procurement of items not covered under this circular as defined in Section 3 shall not be required to prepare a CBA and are therefore advised to adopt the appropriate procurement scheme as provided under E.O. No. 40, series 2001.

SECTION 5.0 SOURCES OF FUNDS FOR LEASE-RENTAL CONTRACTS

The procuring agency must have in its budget for 2002, an existing appropriation for **a) Capital Outlay** for the acquisition of computers and other I.T. equipment, or **b) Rents under Maintenance and Other Operating Expenses (MOOE)** to cover the estimated cost of the lease-rent agreement. Otherwise, there should be enough funds in the Other Expense objects under MOOE, which can be used to augment Rent expense as provided under Section 57 of the 2002 GAA.

Agencies can augment their available Rent Expense Item from savings in other items under MOOE without prior approval from DBM. This is in accordance with Section 57 of the General Provisions, R.A. 9162 which states that "Agencies may augment an item of expenditure within MOOE, except intelligence and confidential fund as specified in object code 19, from savings in other items of MOOE without prior approval of the DBM."

Only the realignment of Capital Outlay to MOOE (Rent Expense) shall be referred to DBM for approval.

Under no circumstances shall an agency lease-rent computers and other I.T. equipment which are not covered in the NCC-approved Information Systems Strategic Plan (ISSP) or E-Commerce Plan of Action.

SECTION 6.0 LEASE-RENT PROCEDURES

Pursuant to Section 36.6 of the Implementing Rules and Regulations of E.O. No. 40, the lease-rental of computers and other I.T. equipment shall be subject to public bidding.

All agencies who will undertake bidding for lease-rent of computers and other I.T. equipment are therefore advised to follow the procurement process, as stipulated under E.O. No. 40 series 2001 and its IRR, E.O. No. 301 series of 1987, NCC Memorandum Circular 99-02, Government Accounting and Auditing Manual (GAAM) and other applicable statutory provisions on procurement rules and regulations.


SECTION 7.0 OTHER PROVISIONS


- 7.1 Lease-rent contracts should include provisions for free maintenance and upgrading of rented computers and other I.T. equipment during the lease-rent period.
- 7.2 Lease-rent contracts may cover brand new or used, branded or unbranded computers and other I.T. equipment.

- 7.3 Lease-rent contracts should include provisions on service warranty to cover bundled operating system and other softwares. Lessor shall be required to repair and/or replace with a similar unit, any equipment under the lease-rent contract found to be defective, without additional cost to the lessee.
- 7.4 Agencies should check terms and conditions covered in both purchase package and lease-rent package like:
- 7.4.1 Technical support services to be provided during lease-rent period in terms of number of days per month covered, specific time schedule, and mode of availability, i.e. whether on call, by appointment or on a regular basis, whether services are provided only inside or also outside Metro Manila
 - 7.4.2 Technicians and other technical support staff assigned to the lessee.
 - 7.4.3 Response time in hours.
 - 7.4.4 Repairs are done onsite or offsite. If offsite, service unit will be provided at no cost to the lessee.
 - 7.4.5 Penalty imposed in case of delayed technical service.
 - 7.4.6 Spare parts provided without additional cost to the lessee during the lease-rent period.
- 7.5 Lease-rent contracts should include provisions for the lessee to terminate the contract by giving a 30-day written notice to the lessor and vice versa.

SECTION 8.0 EFFECTIVITY

This Joint Memorandum Circular takes effect on 22 July 2002.


DELFIN JAY M. SABIDO IX, Ph.D.
Director General
National Computer Center


EMILIA T. BONCODIN
Secretary
Department of Budget and Management

A PARTIAL LIST OF COMPUTERS AND OTHER I.T. EQUIPMENT

1. Computer Systems
 - 1.1. Central Processing Unit
 - 1.2. Desktop PCs
 - 1.3. Portable Computer
 - 1.4. Tablet PC/Handheld and Pocket PC/Personal Digital Assistant
 - 1.5. Server/Workstation/Minicomputer
 - 1.6. Mainframe
2. Peripherals
 - 2.1. Digital Camera (CDD Camera)
 - 2.2. Film Processor
 - 2.3. Hardware Lock
 - 2.4. Monitor
 - 2.5. VGA Cards/Boards
3. Storage Devices
 - 3.1. CD Recorder
 - 3.2. CD Tower
 - 3.3. CD Writer
 - 3.4. CD-ROM Drive/Disk
 - 3.5. Computer Tape/Cartridge
 - 3.6. Floppy Drive
 - 3.7. Hard Disk Drive
 - 3.8. JAZ Drive
 - 3.9. Magneto-Optical Disk Drive
 - 3.10. Removable Storage Disk
 - 3.11. SCSI Drive Module
 - 3.12. Tape Back up/Tape Drive
 - 3.13. Zip Drive
 - 3.14. Storage Area Network (SAN)/Network Attached Storage (NAS)
4. Printers
 - 4.1. Band Printer
 - 4.2. Barcode/POS Printer
 - 4.3. Billboard Printer
 - 4.4. Design Jet Printer
 - 4.5. Digital Copy Printer
 - 4.6. Dot Matrix Printer
 - 4.7. Film Printer
 - 4.8. Impact Printer
 - 4.9. Ink Jet/Bubble Jet Printer
 - 4.10. Laser Printer
 - 4.11. LED Printer
 - 4.12. Line Printer
 - 4.13. Passbook Printer
 - 4.14. Plotter
 - 4.15. Poster Printer
 - 4.16. Print Server
 - 4.17. Serial Printer
 - 4.18. Signmaker Printer
 - 4.19. Sticker Maker Printer
 - 4.20. Thermal Printer
5. Cards
 - 5.1. Controller Card
 - 5.2. Enhancement Card



6. Multimedia
 - 6.1. Multimedia Kit
 - 6.2. Multimedia Speaker System
 - 6.3. Multimedia Storage System
 - 6.4. Other Multimedia Products

7. Input Device
 - 7.1. Digitizer
 - 7.2. Keyboard
 - 7.3. Mouse
 - 7.4. Scanner
 - 7.5. Touch Screen
 - 7.6. Light Pen

8. Power Protection System
 - 8.1. Automatic Voltage Regulator
 - 8.2. Battery Charger
 - 8.3. Emergency Power Unit
 - 8.4. Programmable/Portable Data Collector
 - 8.5. Surge Protector/Suppressor
 - 8.6. Uninterruptible Power Supply System

9. System Memory Boards
 - 9.1. Mathcoprocessor
 - 9.2. Memory Card
 - 9.3. Memory Module
 - 9.4. Memory Upgrades
 - 9.5. SIMM/DIMM RAM
 - 9.6. SDRAM/RDRAM

10. Data Communications and Networking Equipment
 - 10.1. Adapters
 - 10.2. Bridges
 - 10.3. Echo Canceller
 - 10.4. Fax Machines
 - 10.5. Fax Modem/Card
 - 10.6. Microwave Repeater System
 - 10.7. Multimedia Messaging System
 - 10.8. Multiplexers
 - 10.9. Network Desktop
 - 10.10. Network Interface Cards
 - 10.11. Network PC Cards
 - 10.12. Network Servers
 - 10.13. Network Tools
 - 10.14. PABX/Telephone System/Cellular Phones
 - 10.15. Paging Systems
 - 10.16. PC Telex Interface Cards
 - 10.17. Remote Access Server
 - 10.18. Routers
 - 10.19. Signaling Converter
 - 10.20. Switches and Hubs
 - 10.21. Switching System
 - 10.22. Telephone Adaptor
 - 10.23. Telephone Remote Control Power Controller
 - 10.24. Test and Measurement System
 - 10.25. Trunked Mobile Radio
 - 10.26. Video Conferencing System/Kit
 - 10.27. Voice Mail/Voice Messaging System
 - 10.28. Wires and Cabling System

