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Funding the Republic

REPUBLIKA NG PILIPINAS
KAGAWARAN NG PANANALAPI
KAWANIHAN NG INGATANG-YAMAN
(BUREAU OF THE TREASURY)
Intramuros, Maynila 1002

MEMORANDUM

FOR : ALL BTr REGIONAL DIRECTORS

FROM : THE TREASURER OF THE PHILIPPINES

SUBJECT : NEW PROCEDURE FOR PAYMENT OF ACCOUNTS
PAYABLE OF NATIONAL GOVERNMENT AGENCIES

DATE : February 24, 2004

Pursuant to the issuance by the Department of Budget and Management (DBM) of revised procedure for payment of Accounts Payable (A/Ps) of National Government Agencies (NGAs), attached is Treasury Office Order (TOO) No. 3-2004 dated February 24, 2004 providing guidelines in adopting the new procedure particularly on the disbursement for payment of A/Ps thru Advice to Debit Account (ADA).

Likewise attached, for your reference, are Memorandum of Agreement (MOA) between the DBM, Department of Finance (DOF) and Authorized Government Servicing Banks (AGSBs) signed on February 2, 2004 and DBM Circular Order No. 2004-3 dated January 26, 2004 prescribing the implementing rules and regulations of said MOA.

Please disseminate the said TOO to all BTr provincial offices for implementation.

For immediate compliance.

(sgd.) MINA C. FIGUEROA



REPUBLIKA NG PILIPINAS
KAGAWARAN NG PANANALAPI
KAWANIHAN NG INGATANG-YAMAN
(BUREAU OF THE TREASURY)
INTRAMUROS, MAYNILA

Funding the Republic

TREASURY OFFICE ORDER No. 3-2004

February 24, 2004

Pursuant to Department of Budget and Management (DBM) Circular Letter No. 2004-3 dated January 26, 2004 and Memorandum of Agreement (MOA) between the DBM, Department of Finance (DOF), Land Bank of the Philippines (LBP), Development Bank of the Philippines (DBP) and Philippine Veterans Bank (PVB) signed on February 2, 2004, the Bureau of the Treasury (BTr) and its Regional Offices (ROs) and District/Provincial Offices (D/POs) are enjoined to follow the guidelines enumerated herein.

1.0 BACKGROUND

DBM Circular Letter No. 2004-3 provides new procedure for payment of Accounts Payables (A/Ps) of National Government Agencies (NGAs). The said Circular also requires the implementation of a new budgetary policy regarding the treatment of A/Ps consistent with the New Government Accounting System (NGAS).

The revised procedure for A/Ps, however, shall be initially adopted by the Department of Public Works and Highways (DPWH) to cover prior and current year A/Ps. Full implementation of the revised procedure by other NGAs shall depend on the issuance of a separate directive from the DBM.

2.0 COVERAGE

- 2.1 The DBM Circular Letter and Memorandum of Agreement referred to in this Treasury Office Order (TOO) cover the use of the bank debit system through Advice to Debit Account (ADA) as a method of disbursement for payment of external creditors thru the Direct Payment System under the Modified Disbursement Scheme (MDS) prescribed by Joint Circular No. 1-90 dated February 27, 1990.
- 2.2 This TOO provides the guidelines for the BTr ROs and D/POs in the replenishment of the MDS accounts of the Treasurer of the Philippines (TOP) with the Authorized Government Servicing Banks (AGSBs) for disbursement incurred for the payment of A/Ps thru ADA. The disbursement by NGAs for payment of internal creditors (i.e., NGA employees, utility companies, other NGAs, government corporations, local government units) shall be made thru MDS check.

3.0 PROCEDURAL GUIDELINES

- 3.1 Upon receipt of signed Notice of Cash Allocation (NCA) from DBM on a daily basis, BTr D/PO Treasury Operations Officers/Treasury Fiscal

Examiners (TOOs/TFEs) shall :

- 3.1.1 request DBM for the copies of List of Due and Demandable Accounts Payable for External Creditors (LDDAP-EC) to be attached to the signed NCA for validation purposes; and,
 - 3.1.2 see to it that the total amount reflected in the NCA must tally with the LDDCP-EC.
- 3.2 Upon receipt from AGSB Branches of copies of validated/posted ADA together with the Report on External Creditors (REC) whose accounts have been credited/paid, BTr D/PO TOOs/TFEs shall :
- 3.2.1 validate the ADA against the REC and see to it that the totals on both reports tally;
 - 3.2.2 match the amounts in the REC against the LDDAP-EC;
 - 3.2.3 coordinate with the concerned AGSB Branches for any discrepancy found in the documents;
 - 3.2.4 transmit to the RO the total amount credited/paid to ECs for consolidation once the data are validated; and,
 - 3.2.5 ROs shall transmit the consolidated report of disbursement for payment of A/Ps thru ADA to the BTr Central Office to form part of the database.
- 3.3 The Fund Validation (FVD) shall retrieve the RO consolidated reports and match these reports against the request for replenishment of AGSB Head Office (HO), by branch total.
- 3.4 Any difference in the amounts shall be verified by FVD with the AGSB HO and DO/PO concerned. The DO/PO shall then validate the same with the AGSB Branch concerned and make the necessary adjustments to be reported to FVD.
- 3.5 Receipts, Investments and Disbursements Division (RIDD) upon validation by FVD shall replenish the Bank's HO for the amounts authorized by the NGAs and have been credited/paid by the AGSBs through ADA.
- 3.6 The National Cash Accounting Division (NCAD) shall record in the books of accounts the amount replenished by RIDD.

3.0 APPLICABILITY CLAUSE

The applicability clause of the TOO shall depend on the valid effectivity of DBM Circular Letter No. 2004-3.

4.0 EFFECTIVITY

This Order shall take effect immediately.

(sgd) MINA C. FIGUEROA
Treasurer of the Philippines

MEMORANDUM OF AGREEMENT

KNOW ALL MEN BY THESE PRESENTS:

This **AGREEMENT** is made and executed by and among:

The **DEPARTMENT OF BUDGET AND MANAGEMENT**, a national government agency created pursuant to Executive Order No. 25 dated April 25, 1936, with principal office at Malacañang, Manila, represented herein by **EMILIA T. BONCODIN**, in her capacity as Secretary of the Department (hereinafter referred to as DBM);

The **DEPARTMENT OF FINANCE**, a national government agency created under the Tejeros Convention of 1898 and reorganized in 1987 by Executive Order No. 127 and Executive Order No. 127-A, with principal office at 5th Floor BSP Building, Pasay City, represented herein by **JUANITA D. AMATONG**, in her capacity as Secretary of the Department (hereinafter referred to as DOF);

- and -

The **LAND BANK OF THE PHILIPPINES**, a government financial institution, created and existing under and by virtue of the provisions of Republic Act No. 3844, as amended, with principal address at LANDBANK Plaza, 1598 M.H. del Pilar corner Dr. J. Quintos St., Malate, Manila represented herein by **MARGARITO B. TEVES** in his capacity as the President and Chief Executive Officer of the bank, (hereinafter referred to as the "Bank").

WITNESSETH, that

WHEREAS, Memorandum Order No. 276 dated January 12, 1990, as amended, has established the Government's Modified Disbursement System (MDS) and has directed the use of the Government Financial Institutions as Servicing Banks;

WHEREAS, Circular Letter Nos. 99-2 and 99-4, dated January 15, 1999 and February 9, 1999, respectively, as amended by Circular Letter No. 2004-3 dated January 26, 2004, have directed all government agencies concerned to pay their Accounts Payable (AP) through Direct Payment System *i.e.*, by directly debiting the MDS sub-account of the requesting agency and directly paying its creditors;

WHEREAS, DBM, DOF, and the Bank are determined to cooperate with each other to establish an effective direct payment system of monitoring and settling accounts payable of all government agencies concerned;

WHEREAS, DBM, DOF, and the Bank have agreed to share information and expertise to effectively implement the program;

WHEREAS, it is imperative to establish a direct payment system for accounts payable due to external creditors in order to ensure that obligations are immediately settled;

WHEREFORE, for and in consideration of the foregoing premises, the parties hereto have mutually agreed, as they hereby agree, as follows:

I. RESPONSIBILITIES

1.1 The DBM shall:

- 1.1.1 Prepare the schedule of Notice of Cash Allocation (NCA) releases for AP of all government agencies concerned that ensures an equitable distribution of releases over the month in accordance with the fiscal program prescribed by the Development Budget Coordination Committee;
- 1.1.2 Issue to the Bank, copy furnished the requesting agency, the NCA as well as the supporting List of Due and Demandable Accounts Payable for External Creditors (LDDAP-EC) prescribed under Circular Letter No. 2004-3;
- 1.1.3 Provide the Bureau of the Treasury (BTR) with copies of signed NCAs on a daily basis.

1.2 The DOF – BTR shall:

- 1.2.1 Replenish the Treasurer of the Philippines' MDS account with the Bank, upon verification of the debit advice against the Bank's validated/posted Advice to Debit Account (ADA) found in the lower portion of the LDDAP-EC.

1.3 The Bank shall:

- 1.3.1 For purposes of opening an account, indicate in the lower portion of the Letter of Introduction (LOI) issued by agencies to their creditors, the Current Account/Savings Account (CA/SA) number and Bank branch and return the same to the concerned agency;
- 1.3.2 Upon receipt of NCA and LDDAP-EC from DBM, credit the MDS sub-account of the agency;
- 1.3.3 Debit the MDS sub-account of the agency and pay the external creditors not earlier than twenty-four (24) hours but not later than forty-eight (48) hours, from receipt of NCA and LDDAP-EC, except when non-banking days are involved;

- 1.3.4 Payment may take, at the option of the external creditor as stated in the LDDAP-EC, any of the following modes:
- 1.3.4.1 Credit the CA/SA of the external creditor maintained with the Bank;
 - 1.3.4.2 Issue a Manager's Check payable to the external creditor; or
 - 1.3.4.3 Transfer funds to a CA/SA of the external creditor maintained with another bank.
- 1.3.5 Follow strictly the order and instruction stated in the LDDAP-EC; However, if any account listed therein is non-existing or in the event that the account name and/or number do/does not match with the LDDAP-EC, the Bank shall suspend payment to such external creditor, and on the next banking day, report such action to DBM;
- 1.3.6 Provide DBM and concerned agencies, on the next banking day from payment, with a copy of the validated/posted ADA (found in the lower portion of the LDDAP-EC). Likewise, provide the BTr with the same report as basis for requesting replenishment;
- 1.3.7 Provide DBM viewing access on the MDS sub-accounts of the agency when this facility is available;
- 1.3.8 Keep complete and accurate books of accounts and shall make records and books always available for audit and inspection by duly authorized representatives of the concerned government agency, DBM, BTR and Commission on Audit at any reasonable hours during business days.

II. EXTENT OF LIABILITY OF THE BANK

For failure of the Bank to pay external creditors within the period prescribed in Section 1.3.3, the Bank shall pay the external creditor the prevailing interest rates for CA/SA, subject to existing banking rules and regulations. However, the Bank shall not be held liable for any delay in the transfer of funds if the same is due to *force majeure* or causes beyond its control.

III. INTERNAL RULES AND PROCEDURES

The implementing rules and regulations of this Memorandum of Agreement are prescribed in DBM Circular Letter No. 2004-3 dated January 26, 2004.

IV. SCHEDULE OF IMPLEMENTATION

It is understood and agreed that the revised arrangement for the payment of AP as prescribed in this Agreement shall be first implemented to AP of the Department of Public Works and Highways. Implementation of the revised arrangement to other agencies shall begin upon receipt of written notice from DBM.

V. EFFECTIVITY

This Agreement shall take effect immediately, and shall continue to be in force and effect unless sooner terminated by any of the parties through a notice of termination issued at least thirty (30) days in advance.

IN WITNESS WHEREOF, the parties, through their authorized representatives, have hereunto signed this instrument on this 2nd day of February 2004 at Manila.

DEPARTMENT OF BUDGET AND MANAGEMENT

DEPARTMENT OF FINANCE

By:

By:

(original signed)

EMILIA T. BONCODIN

Secretary

(original signed)

JUANITA D. AMATONG

Secretary

LAND BANK OF THE PHILIPPINES

By:

(original signed)

MARGARITO B. TEVES

President

Witnesses:

(original signed)

FLORANTE M. SORIQUEZ

(original signed)

TEODORO T. ENCARNACION

(original signed)

WILLY CASTOR

(original signed)

EMILIO TUMBOCON

ACKNOWLEDGMENT

REPUBLIC OF THE PHILIPPINES
Metro Manila
~~CITY OF MANILA~~

At the above-stated locality, on this _____ day of _____, 2004 before me appeared:

Name	CTC No.	Date/Place of Issue
EMILIA T. BONCODIN	<u>20804823</u>	<u>3-13-03/Manila</u>
JUANITA AMATONG	<u>00000794</u>	<u>1-19-04/Quezon City</u>
MARGARITO B. TEVES	<u>05307021</u>	<u>1-8-04/Manila</u>

Known to me to be the same persons who executed the foregoing instrument acknowledge to me that the same is their own free and voluntary act and deed as well as that of the agencies they represent.

This instrument refers to MEMORANDUM OF AGREEMENT consisting of five (5) pages, including this page signed by the parties on all pages and sealed with my notarial seal.

WITNESS MY HAND AND NOTARIAL SEAL this 3 day of Feb, 2004 at CITY OF MANILA

Doc. No. 54
Page No. 768
Book No. 11
Series of 2004

ATTY. JANET D. IMPERIAL

Notary Public
Until December 31, 2004
PTR # 084610 Manila
11/17



REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF BUDGET AND MANAGEMENT
Malacanan, Manila

CIRCULAR LETTER

No. 2004-3

January 26, 2004

TO : All Heads of Departments, Agencies/State Universities and Colleges and Other Offices of the National Government, Budget Officers; Heads of Accounting Units; and All Others Concerned

SUBJECT : REVISED PROCEDURE FOR PAYMENT OF ACCOUNTS PAYABLE OF NATIONAL GOVERNMENT AGENCIES

1.0 PURPOSE

- 1.1 To prescribe the budgetary policies/guidelines on the release of Notice of Cash Allocation (NCA) to cover payment of accounts payable (A/Ps);
- 1.2 To define the responsibilities of the agency officials concerned in the payment of A/Ps;
- 1.3 To prescribe the revised forms to support a request for payment of A/Ps; and,
- 1.4 To reiterate and amend applicable provisions of the following issuances of the Department of Budget and Management (DBM) regarding A/Ps:
 - 1.4.1 Circular Letter (CL) Nos. 99-2 Revised Procedures in the Payment of A/Ps;
 - 1.4.2 CL No. 99-2A Schedule of NCA Releases for A/Ps and Modified Definition of Internal Creditor; and
 - 1.4.3 CL No. 2002-17 Reiteration of the Procedures in the Payment of A/Ps.

2.0 DEFINITION OF TERMS:

As used in this Circular, the terms herein shall be construed to mean as follows:

- 2.1 Accounts Payable – refers to current year and prior years' obligations/commitments of national government agencies, for which, services have been rendered/goods have been delivered or projects have been completed and accepted.
- 2.2 Advice to Debit Account (ADA) -- refers to the pre-signed authorization appearing on the lower portion of the List of Due and Demandable A/P for External Creditors which the agency submits to DBM. The ADA serves as instruction to the MDS-GSB to debit a specified amount from the agency's

available NCA balance under its special MDS sub-account for payment of external creditors thru the Direct Payment System.

2.3 Common Fund Scheme - refers to the budgetary policy whereby cash allocation released to agencies may be used to cover payment of due and demandable A/Ps of internal creditors, after satisfying those obligations programmed to be paid during the month as reflected/considered in the Annual Cash Program.

2.4 Direct Payment System - refers to the payment procedure for external creditors whereby the MDS-GSB debits the MDS-sub account of the agency and credits the same amount to the external creditor's current or savings account (CA/SA) thru direct credit, or, if creditor has no existing CA/SA with the agency's MDS-GSB or any of its branches, thru bank transfer/issuance of Manager's Check. Any bank charges which may be imposed on bank transfer transactions from the MDS-GSB to the creditors' preferred bank as well as issuance of manager's check, shall be borne/paid by the creditor concerned.

2.5 Internal Creditor - refers to the following:

2.5.1 Employees of the department or agency;

2.5.2 Utility companies (i.e., supplier of petroleum, oil and lubricants, water, illumination and power services, telephone/telegraph, internet and other communication services, insurance, and rents);

2.5.3 Other national government agencies;

2.5.4 Government corporations such as Government Service Insurance System, PHILHEALTH, Home Development Mutual Fund and others; and,

2.5.5 Local government units.

2.6 External Creditor - refers to creditors of national government agencies not included in the enumeration under item no. 2.5.

2.7 Modified Disbursement Scheme-Government Servicing Bank (MDS-GSB) - refers to the government servicing bank (*either Land Bank of the Philippines, Development Bank of the Philippines and Philippine Veterans Bank*) where the NCA is issued by DBM, for credit to the MDS sub-account of the agency.

3.0 GENERAL GUIDELINES

3.1 Effective January, 2004, DBM shall implement a new budgetary policy regarding the treatment of A/Ps of national government agencies, consistent with the New Government Accounting System. A/Ps shall be categorized as follows:

3.1.1 Prior Years' A/Ps

Unpaid obligations for which goods/services have been delivered/rendered and projects accepted **in the immediately**

preceding year regardless of the year these were obligated, but remains unpaid up to the end of that year.

3.1.2 Current Year A/Ps

Unpaid obligations for which goods and services have been delivered/rendered and projects accepted **during the current year**, regardless of the year these were obligated.

3.2 The settlement of prior years' due and demandable A/Ps to internal and external creditors shall be given priority funding over current year A/Ps, provided that the requests for the purpose are submitted within the prescribed dates and that the documentation requirements are complied with consistent with the provisions of CL No. 2004-2.

3.3 NCA to cover payment of internal creditors and external creditors shall be credited to the regular and special MDS sub-accounts, respectively, of the agency.

3.4 Payment of internal creditors for prior and current year A/Ps shall be made thru MDS check while external creditors shall be paid thru direct payment system.

3.5 The List of Due and Demandable A/Ps for external creditors (LDDAP-EC) whether for current or prior years, shall be arranged on a "first-in, first-out" basis. Each page of the LDDAP-EC shall be duly certified by agency officials concerned, as follows:

Agency Head

"I hereby assume full responsibility for the veracity and accuracy of the listed claims, and the authenticity of the supporting documents as submitted by the claimants. We hereby release the DBM from any liability, whether civil or criminal, arising from fictitious accounts, excessive disbursements and other anomalous transactions."

Head of Agency Accounting Unit

"I hereby warrant that the above List of Due and Demandable Accounts Payable was prepared in accordance with existing budgeting, accounting and auditing rules and regulations, including DBM Circular Letters Nos. 99-2, 99-2A and 2002-17."

3.6 At the start of each year, agencies shall submit to DBM an Annual Cash Program which shall serve as basis in determining the NCA level to be released to agencies. This document will reflect the monthly NCA requirement of the agency to cover payment of current year A/Ps to internal creditors.

3.7 Release of NCAs for A/Ps to external creditors shall be in accordance with the schedule as provided under DBM CL No. 99-2A (shown in **Annex B**).

4.0 SPECIFIC GUIDELINES

4.1 Payment to Internal Creditors:

4.1.1 For prior years' A/Ps

4.1.1.1 DBM shall issue NCA corresponding to the required amount as indicated in the List of Due and Demandable A/Ps for internal creditors, submitted by the agency pursuant to CL No. 200-2.

4.1.1.2 Upon receipt of NCA, agency shall, within 24 hours, issue MDS-check to internal creditors.

4.1.2 For current year A/Ps.

4.1.2.1 At the start of each year, DBM shall issue NCA equivalent to the estimated requirement of current year A/Ps to internal creditors of the agencies.

4.1.2.2 The initial release of NCA to cover current year internal A/Ps shall be adjusted based on the Annual Cash Program of the agency submitted pursuant to Item 3.6 of this Circular.

4.1.2.3 Consistent with the concept of the Common Fund Scheme, agencies may also pay A/Ps of internal creditors who/which were not included/considered in the approved cash program for the month.

4.1.2.4 Agencies may request the release of additional NCA during the month, whenever the available balance is at its critical level i.e., when available NCA balance per agency books is not sufficient to cover requirements for the remaining days of the current month. The request shall be supported by the Summary List of Checks Issued and Cancelled as of the date of request.

4.2 Payment to External Creditors

4.2.1 For prior years' A/Ps

4.2.1.1 DBM shall issue NCA corresponding to the required amount as indicated in the LDDAP-EC, submitted by the agency pursuant to CL No. 200-2.

4.2.1.2 Upon receipt of NCA, the MDS-GSB of the agency shall, not earlier than 24 hours and not later than 48 hours, debit the account of the agency and pay the external creditors thru the Direct Payment System.

4.2.2 For current year A/Ps

4.2.2.1 Agencies shall submit to DBM on a regular basis, requests for payment of current year A/Ps to external

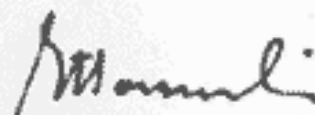
creditors together with the properly accomplished LDDAP-EC, within 24 hours upon completion of the required documentation for payment.

- 4.2.2.2 Based on the available Cash Program of the government for the month, the DBM shall issue the NCA to cover the requirements of current year A/Ps to external creditors consistent with the schedule of releases under CL No. 99-2A. The NCA to be issued to the agency's MDS-GSB, shall be supported by the agency-submitted LDDAP-EC which were accommodated within the available cash program for the month. Inclusion of the LDDAP within the available cash program shall be based on a "first-in, first-out" policy.
- 4.2.2.3 DBM, in lieu of the Advice of NCA Issued or ANCAI, shall officially notify agencies concerned of the release made and provide them with a copy of the LDDAP-EC and NCA issued.
- 4.2.2.4 The MDS-GSB shall, upon receipt of the NCA, credit the same to the agency's Special MDS sub-account. Consistent with the LDDAP-EC, the MDS-GSB shall effect payment thru the Direct Payment System.
- 4.2.2.5 The MDS-GSB shall inform the agency of the credits made in favor of external creditors concerned by providing the latter with a copy of the duly validated/posted LDDAP-EC, as shown in the lower portion of the ADA.
- 4.2.2.6 The DBM shall post in its Website (www.dbm.gov.ph) the list of creditors covered by the NCA released for A/Ps. This will serve as notice to external creditors concerned and provide viewing access for verification of the status of their claims.

5.0 This revised procedure for A/Ps shall be adopted initially by the Department of Public Works and Highways to cover prior and current year A/Ps, until such time that a separate directive has been issued for full implementation by other government agencies.

6.0 EFFECTIVITY

These guidelines shall take effect immediately.



EMILIA T. BONCODIN
Secretary

DEPARTMENT
AGENCY
MDS-GSB /MDS ACCOUNT NO.
FUND CODE
BATCH NO.

I hereby warrant that the above List of Due and Demandable A/Ps was prepared in accordance with existing budgeting, accounting and auditing rules and regulations, including DBM Circular Letter Nos. 99-2, 99-2A and 2000-17.

I hereby assume full responsibility for the veracity and accuracy of the listed claims, and the authenticity of the supporting documents as submitted by the claimants. We hereby release the Department of Budget and Management from any liability, whether civil or criminal, arising from fictitious accounts, excessive disbursements and other anomalous transactions.

Approved:

Head of Accounting Unit

Head of Agency or
Authorized Official

To : MDS GSB of the Agency : _____
Please debit MDS Sub Account Number : _____
Please credit the accounts of the above listed creditors to cover payment of Accounts Payable .

TOTAL AMOUNT : \$ 600.00

On Words: 3

Authorized Signatories

ERASURES SHALL INVALIDATE THE DOCUMENT

FOR MDS-GSB USE ONLY :

SCHEDULE OF NCA RELEASES FOR ACCOUNTS PAYABLE

PERIOD	DEPARTMENTS				
	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
FIRST WEEK	DPWH	SUCs	DOST CSC	OEOs CONGRESS	JUDICIARY NEDA DSWD
SECOND WEEK	DepEd	DAR	DND	DTI DOLE OPS COMELEC	DOJ COA DOT DOE
THIRD WEEK	DOH	DFA OVP	DBM JLEC	DILG	OP ARMM OMBUDSMAN
FOURTH WEEK	DA	DOF	DOTC	DENR	CHR GOCCs