REVISED GUIDELINES IN THE GRANTING, UTILIZATION, ACCOUNTING AND AUDITING OF THE FUNDS RELEASED TO NON-GOVERNMENTAL ORGANIZATIONS/PEOPLE'S ORGANIZATIONS (NGOS/POS)

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1.0 RATIONALE AND OBJECTIVES

Article II, Section 23 of the Philippine Constitution provides that the State shall encourage non-governmental, community based, or sectoral organizations that promote the welfare of the nation.

In line with this constitutional provision, Section 34 of Republic Act No. 7160, otherwise known as the Local Government Code, institutionalized the partnership of these organizations and the local government units (LGUs). Government organizations (GOs) - national government agencies (NGAs), local government units (LGUs) and government-owned or controlled corporations (GOCCs) - extend funds to the non-gov- ernmental organizations (NGOs) and/or people's organizations (POs). To provide control and guidance in the granting, utilization, management and recording of such funds, COA Circular Nos. 95-003 and 96-003 dated February 15, 1995 and February 27, 1996, respectively, were issued.

In view, however, of the adoption of the New Government Accounting System (NGAS) in 2002 and the marked increase in the number of NGOs and POs seeking funds, the Commission finds it imperative to revise the existing guidelines on the matter. The revision will ensure conformity to the prescribed NGAs financial accounting procedures for related transactions, put in place the necessary controls in the release and utilization of funds, promote transparency and accountability, including monitoring of the implementation of projects funded out of the funds granted.

2.0 DEFINITION OF TERMS

For the purposes of this Circular, the following terms shall be construed as follows:

2.1 Beneficiary - the community or any of its sectors which is the recipient of the results of the development efforts of the GO and the NGO/PO;

2.2 Funds - government funds entrusted to the NGO/PO to cover the implementation of a project included in the Work and Financial Plan (WFP) and Budget of the GO;

2.3 Fund Utilization Report (Annex A) - a document showing the summary of expenses incurred in the implementation of the project for a given period of time;

2.4 Government Organization - refers to national government agencies, local government units, government-owned or controlled corporations and their subsidiaries providing funds to the NGO/PO;

2.5 Non-Governmental Organization - a non-profit, voluntary organization committed to the task of socio-economic development and established primarily for services such as assisting citizens or people's

organizations in various ways by educating, training, or giving funds to them. This shall include foundations created for the same purpose; and

2.6 People's Organization - an independent community and/or class-based association established to protect and advance the interest of specific causes or sectors, e.g. labor, farmer, fisherman, women, children, civic organizations.

3.0 SCOPE

These guidelines shall apply to all funds granted to NGOs/POs for the implementation of projects as enumerated in paragraph 4.1 hereof.

4.0 GUIDELINES

4.1 GO funds granted the NGOs/POs shall retain their character as public funds.

4.2 The flow of the funds shall follow the normal procedures of allotment release by the Department of Budget and Management, and the fund allocation/transfer and disbursement by the GOs. The guidelines that follow shall be strictly observed.

4.3 Types of Projects which may be granted government funds.

The types of projects that may be granted government funds shall be those that are beyond the capability of the GO, which shall be clearly defined in the Memorandum of Agreement (MOA). These projects shall include, but shall not be limited to the following types:

4.3.1 Livelihood development
4.3.2 Manpower development
4.3.3 Sports development
4.3.4 Cooperative development
4.3.5 Delivery of basic services
4.3.6 Environmental protection
4.3.7 Agricultural and fisheries diversity

4.3.8 Rural industrialization
4.3.9 Development of local enterprises
4.3.10 Social services in areas that would not be ordinarily undertaken by the private sector
4.3.11 Construction, maintenance, operations and management of infrastructure projects, such as, but not limited to, the following:

- Housing projects for the poorest of the poor
- School buildings for schools with inadequate classrooms

4.4 Requisites for entitlement to government funds

The NGO/PO shall submit the proposal or application for funding accompanied by the following documents:

4.4.1 Certificate of registration with the Securities and Exchange Commission (SEC), and/or either the Cooperative Development Authority (CDA) or the Department of Labor and Employment (DOLE) as the case may be, depending on the nature of the service required to be rendered. This is to ensure that the NGO/PO has a legal personality; has officers who are responsible and accountable for its operations, and is based in the community where the project shall be implemented. Exempted from this registration requirement are intentional organizations and specialized agencies doing business in this country as a result of bilateral

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agreements.

4.4.2 Authenticated copy of the latest Articles of Incorporation, or the Articles of Cooperation as the case may be, showing the original incorporators/organizers and the Secretary's certificate of incumbent officers, together with the Certificate of Filing with the SEC/Certificate of Approval by the CDA.

4.4.3 Financial reports, audited by an independent Certified Public Accountant, for the past three years preceding the date of project implementation, to ensure that it has a stable financial condition and that the funds provided by the GO shall not be its sole source of funds. For NGO/PO which has been in operation for less than three (3) years, report of accomplishment or any equivalent proof certified by its President and Secretary that it had previously implemented similar projects shall be required, in addition to financial reports for the years it has been in operation.

4.4.4 Disclosure by the NGO/PO of other related business, if any, and extent of ownership therein;

4.4.5 WFP, and Sources and Details of Proponents Equity Participation in the Project.

4.4.6 Complete project proposal approved/signed by its officers which shall include the objectives, target beneficiaries, feasibility studies, risk assessment, designs, plans, blueprints, charts, etc.

4.4.7 List and/or photographs of similar projects previously completed by the NGO/PO, if any, indicating the source of funds for their implementation.

4.4.8 A sworn affidavit of the Secretary of the NGO/PO that none of its incorporators, organizers, directors or officials is an agent of or related by consanguinity or affinity up to the fourth civil degree to the officials of the GO authorized to process and/or approve the proposal, the MOA and the release of funds. Relationships of these nature shall automatically disqualify the NGO/ PO from being granted the fund.

4.5 Procedure for the Availment, Release and Utilization of Funds

The following procedures shall be strictly complied with:

4.5.1 The GO shall identify the priority projects under its WFP which may be implemented by the NGO/PO, their purpose/s, specifications and intended beneficiaries as well as the time frame within which the projects are to be undertaken. To ensure transparency, the foregoing information shall be made public via newspapers, agency websites, bulletin boards and the like, at least three months prior to the target date of commencement of the identified projects.

4.5.2 For each project proposal, the GO shall accredit the NGO/PO project partners through the Bids and Awards Committee (BAC), or a committee created for the purpose, which shall formulate the selection criteria. The Committee shall perform the selection process, including the screening of the qualification documents, ocular inspection of the NGOs/POs business site, and evaluation of the technical and financial capability of the NGO/PO.

4.5.3 Upon proper evaluation, the GO, thru the Committee, shall award the project to the NGO/PO which meets the minimum qualification requirements and the specifications for the project and which can satisfactorily undertake the project at terms most advantageous to the beneficiaries, taking into consideration the cost effectiveness of the project. The project shall be covered by a MOA which shall embody the terms of reference such as:

a. Project name, intended beneficiaries, benefits to be delivered, project cost estimates, a brief description of the project, and its site/location;

b. Systems and procedures to implement the project such as, but not limited to, the procurement of goods and services by the NGO/PO and their distribution which should be documented and coordinated through the GO

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authorized officials and the respective barangays;

c. Time schedules for the releases of funds, periodic inspection/evaluation, reporting, monitoring requirements, date of commencement and date of completion;

d. Submission of the required periodic financial and physical status reports;

e. Specific period to liquidate the funds granted to the NGO,PO, with the GO;

f. In case of construction projects like school buildings, housing, and other similar structures, and acquisition of assets like vehicles and equipment, a stipulation of ownership or turnover of ownership of the infrastructure or fixed asset. In the procurement of any type of asset out of government funds, the NGO/PO shall conduct simple bidding or canvass to ensure the best terms and quality of purchase;

g. In case the asset shall be owned by a specified beneficiary, a stipulation that a Deed of Donation shall be executed by the GO therefor;

h. Monitoring and inspection of project implementation and verification of financial records and reports of the NGO/PO by the GO;

i. Visitorial audit by the officials and personnel of the Commission on Audit (COA) authorized to perform the audit under an approved office order;

j. Institution of legal action by the GO against the defaulting NGO/PO which fails to complete a project covered by the MOA, or for a material violation of the provisions of the MOA or of this Circular, and in any of these cases, its subsequent disqualification from applying for another project in any other GO;

k. In case of the dissolution of a recipient NGO/PO, voluntary or involuntary, the lien of the granting GO on its assets, in accordance with existing laws, to the extent of the unexpended or unutilized portion of the fund;

l. Maintenance by the NGO/PO of a separate savings account for each fund received from the GO; and

m. The return by the NGO/PO to the granting GO of any amount not utilized to complete the project, including interest, if any.

4.5.4 The NGO/PO shall have an equity equivalent to 20% of the total project cost, which may be in the form of labor, land for the project site, facilities, equipment and the like, to be used in the project.

4.5.5. In case of staggered fund releases or new fund release covered by another MOA, no NGO/PO shall receive additional releases unless an interim. Fund Utilization Report of the previous release certified by its Accountant and approved by its President/Chairman is first complied with, showing a summary of expenses and a status report of accomplishment evidenced by pictures. The validity of this document shall be verified by the internal auditor or equivalent official of the GO.

4.5.6 No NGO/PO shall be a recipient of funds where any of the provisions of this Circular and the MOA entered into with the GO has not been complied with, in any previous undertaking with funds allocated from the GO.

4.5.7 For infrastructure projects, the NGO/PO shall post a performance security, upon signing of the MOA, in the form of surety bond callable on demand issued by the Government Service Insurance System (GSIS) or an insurance company duly accredited by the Insurance Commission equivalent to 30% of the total funds to be granted. If the project is not completed within 90 days after the prescribed completion date due to the NGO/PO/s fault, the bond shall be forfeited in favor of the GO, by its filing of the claim to the GSIS or the bonding company, as the case maybe. If necessary, a supplemental MOA to govern the prosecution of the project during the period so extended may be executed by and between the NGO/PO and the GO, the terms of reference of which, however must not be contrary to the provisions of the original MOA.

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4.5.8 For income generating projects that will be undertaken by the NGO/PO, such as foundation/charter anniversaries/festival celebrations, where participating traders who use the facilities of the GO pay directly their rents or fees to the NGO/PO, and solicitations from sponsoring companies are remitted directly to the NGO/PO, the sharing of income and expenses thereof by the NGO/PO and the GO, including the reporting procedures shall be stipulated in the MOA.

5.0 ACCOUNTING AND REPORTING

5.1 It shall be the responsibility of the recipient NGO/PO to keep and maintain financial and accounting records of the funds granted by GO in accordance with the Philippine Accounting Standards. The NGO/PO shall submit the required financial reports to the GO as agreed upon in the MOA and make available all records and documents, including disbursement vouchers relative to the utilization of the funds, to the COA Auditors.

5.2 The GO shall keep and maintain financial and accounting records of funds granted to the NGO/PO in accordance with the Philippine Financial Reporting Standards (PFRS). The accounting entries shall be prescribed in a separate circular to be issued by the Government Accounting and Financial Management Information System (GAFMIS) Sector of COA in accordance with Government Accounting Standards (GAS).

5.3 The signing officials of the GO to the MOA shall cause close monitoring and inspection of project implementation and verification of financial records and reports of the NGO/ PO and shall ensure compliance with the provisions of the MOA and of this Circular.

5.4 Within sixty (60) days after the completion of the project, the NGO/PO shall submit the final Fund Utilization Report certified by its Accountant and approved by its President/Chairman to the GO, together with the inspection report and certificate of project completion rendered/ issued by the GO authorized representative, list of beneficiaries with their acceptance/acknowledgement of the project/funds/goods/services rendered. The validity of these documents shall be verified by the internal auditor or equivalent official of the GO and shall be the basis of the GO in recording the fund utilization in its books of accounts. These documents shall support the liquidation of funds granted to the NGO/PO.

6.0 LIMITATIONS

6.1 No portion of the funds shall be released before the signing of the MOA. Checks issued by the GO covering the release of fund to the NGO/PO shall be crossed for deposit to its savings or current accounts.

6.2 No portion of the funds granted to the NGO/PO shall be used for the following:

6.2.1 Money market placement, time deposit, or other forms of investments;

6.2.2 Cash advance of any official of the NGO/PO, unless related to the implementation of the project;

6.2.3 Payment of salaries, honoraria and any form of allowances of the personnel of the GO or the NGO/PO who are not connected with the project;

6.2.4 Purchase of supplies, materials, equipment and motor vehicles of the GO; and

6.2.5 Acquisition of assets of the NGO/PO, unless necessary for the prosecution of the project and specifically stipulated in the MOA.

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7.0 RESPONSIBILITY OF THE COA

The COA shall audit the grant and utilization of the funds.

7.1 The Supervising Auditor/Audit Team Leader (SA/ATL) of the GO which released the fund to the NGO/PO, or a team authorized under an approved office order shall undertake the audit of the funds granted. The SA/ATL/audit team shall include the following in the audit thereof:

7.1.1 Ascertaining the GO's compliance with the accreditation, awarding, and monitoring procedures;

7.1.2 Ascertaining the GO's compliance with the provisions of this Circular;

7.1.3 Ascertaining compliance by both the GO and the NGO/PO with the provisions of the MOA entered into by and between them;

7.1.4 Ascertaining economy, efficiency and effectiveness of the fund utilization; and

7.1.5 Validating of receipt of the benefits, such as services, goods or funds, by the intended beneficiaries.

7.2 In case the funds are released from one GO to another GO to the NGO/PO, the SA/ ATL of the GO which is the original source of the funds released shall confirm, thru the SA/ATL of the recipient GO, the receipt of the funds.

7.3 The SA/ATL/audit team, based on the results of the audit, shall issue an Audit Observation Memorandum, Notice of Suspension/Disallowance/Charge to concerned parties.

7.4 The results of the audit (whether financial, VFM, or compliance audit) shall be included in the appropriate report (Annual Audit Report, VFM), if warranted.

8.0 REPEALING CLAUSE

This supersedes COA Circular No. 96-003 dated February 27, 1996. All other issuances which are inconsistent herewith are repealed or modified accordingly.

9.0 SANCTION

Legal remedies pursuant to existing laws, rules and regulations applicable for violation by any party of any of the provisions of these guidelines shall be imposed/charged by the GO, the COA, or any aggrieved/interested party.

10.0 EFFECTIVITY

This Circular shall take effect immediately.

Adopted: 25 Oct. 2007

(SGD.) GUILLERMO N. CARAGUE
Chairman

(SGD.) REYNALDO A. VILLAR
Commissioner

(SGD.) JUANITO G. ESPINO, JR.
Commissioner

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