IMPLEMENTATION OF A MODIFIED DISBURSEMENT SYSTEM (MDS) PURSUANT TO MEMORANDUM ORDER NO. 276 DATED JANUARY 12, 1990 PRESCRIBING THE MODIFICATION OF THE GOVERNMENT’S DISBURSEMENT ...

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I
PURPOSE

A. To prescribe guidelines in the implementation of a Modified Disbursement System to facilitate effective management of the cash resources of the National Government.

B. To facilitate the reconciliation of disbursements of government agencies and the accounts of the Bureau of the Treasury (BTR) with Government Servicing Banks (GSBs), namely, Philippine National Bank (PNB), Land Bank of the Philippines (LBP) and Development Bank of the Philippines (DBP).

II
GENERAL POLICY GUIDELINES

1. The balance per books of agencies as of February 28, 1990, of all deposit accounts under the New Disbursement System (NDS) and other deposit accounts opened before and during the implementation of the NDS shall be withdrawn immediately from the respective servicing banks. The amount/s shall be deposited to the account of the Treasurer of the Philippines (TOP) thru authorized government depository banks or directly to the Cash Division, BTR, covered by a remittance advice.

Exempted from this provision are deposits authorized by law creating the trust receipts or revolving funds to be deposited with a government depository bank, as well as deposit accounts of Government-Owned and/or Controlled Corporations (GOCCs) and Local Government Units (LGUs) .

2. As soon as all outstanding checks are negotiated and the bank balance reconciled with the books of the agency, or six (6) months after the implementation of the MDS, whichever comes first, any of the aforesaid accounts with remaining balances in the books of servicing banks shall be closed and the balance withdrawn by the agency for remittance to BTR as indicated in sub-paragraph 2.1.

3. The BTR shall open MDS deposit account with the Head Office of GSBs.

4. Government agencies shall use a specially designed commercial check (MDS check) to withdraw funds from the MDS account established by the BTR with GSBs.

5. Government agencies shall no longer use Treasury Warrants Type A and B to withdraw funds from the National Treasury. However, DECS which has made prior arrangement with BTR shall continue using Type A warrants for payment of salaries of certain DECS personnel up to June, 1990.

6. Government agencies shall make an inventory of unused blank commercial checks (under NDS)/Treasury Warrants A and B (except as stated in 2.5 above); such unused checks and warrants shall be disposed of in accordance with COA, MOF, MOB Joint Circular No. 7-81 dated August 31, 1981 and Treasury Memorandum Circular No. 8-73 dated June 27, 1973.

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7. The Department of Budget and Management (DBM) shall issue monthly the Notice of Cash Allocation (NCA) directly to Central Offices (Cos)/Regional Offices (ROs) and to specific Provincial Offices (POs)/Operating Units (OUs) covering the requirement of the agencies for each fund copy furnished the Treasury Accounts Reconciliation Division (TARD), BTR and the concerned GSB.

8. Except for agencies with specific arrangements, COs/ ROs shall release funds (for personal services, maintenance and operating expenditures and capital outlays) to POs/ OUs that are not receiving NCAs directly from DBM, by issuing funding checks (MDS checks) to cover two (2) weeks requirement of the POs/ OUs which shall be deposited with a GSB. Separate funding checks (MDS checks) shall be issued for each allotment class.

Agencies that are presently using continuous form checks for payment of salaries, shall draw an MDS check corresponding to the bi-monthly/monthly salary requirement and deposit the check to a separate checking account with a GSB. Accounting for the operation of the checking account shall be made in accordance with procedures approved by the Commission on Audit (COA).

All other agencies shall continue paying salaries through the payroll system.

9. Any unutilized balance of deposits per books of the POs/ OUs pertaining to unobligated allotments shall be withdrawn at the end of the year for remittance to the BTR as indicated in sub-paragraph 2.1 above.

10. Government agencies shall record the NCA in accordance with the accounting procedures to be prescribed by the COA.

11. GSBs shall maintain separate accounts or ledgers for each agency and by funds (Fund Codes — 101, 102, 151, etc.) using the NCA as basis to control withdrawals of governments agencies.

12. GSBs shall submit Monthly Statement of Account together with the negotiated checks for each fund to the Chief Accountant/Head of Accounting Unit of government agencies within five (5) days after the end of each month, for reconciliation purposes.

13. Agencies authorized to maintain sub-accounts with GSBs shall reconcile their accounts monthly directly with the GSBs.

14. All NCAs issued by DBM during the year shall be valid up to the end of the calendar year only. Unpaid obligations at the end of the year shall be charged against the NCAs of the subsequent year.

15. Treatment of the balance of NCAs at the end of the calendar year shall be in accordance with procedures prescribed by the COA.

16. Agencies shall submit to the DBM Statement of Monthly Allocation and Utilization in accordance with the prescribed format (Annex A) and a copy of the Bank Reconciliation Statement within ten (10) days and fifteen (15) days, respectively, after the end of the month.

III
RESPONSIBILITIES

A. The Bureau of the Treasury shall:

1. Open and maintain MDS account with the Head Office of each GSB.

2. Deposit with GSBs the amount needed to enable the banks to effectively operate the MDS.

3. Design the check to be used for the MDS.

4. Authorize the Head Office of all GSBs to charge negotiated checks drawn by government agencies against

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the MDS account.

5. Replenish MDS account daily corresponding to the amount of negotiated checks submitted by the Head Office of each GSB.

6. Prepare Monthly Allocation Control Statement by agency and by fund for submission to the COA Resident Auditor of the agency.

7. Prepare bank reconciliation statement of the MDS account with the Head Office of GSBs.

B. The Department of Budget and Management shall:

1. Issue Advice of Allotment (AA) and monthly NCA directly to COs, ROs and specific POs/ OUs. Copies of NCA issued to aforementioned agencies shall be furnished the GSB concerned and TARD, BTR. For GOCCs and LGUs pertaining to Specific Tax Allotment (STA), Local Government Revenue Stabilization Fund (LGRSF) and Internal Revenue Allotment (IRA), AAs and NCAs shall be issued to the BTR.

2. Send NCAs: to government agencies, to the GSBs thru their Head Offices, and to the BTR two (2) weeks in advance. The NCA shall be numbered consecutively and shall indicate the distribution to the particular region/province.

3. Notify the GSBs of the names of DBM officials authorized to sign the NCA and submit the required specimen signature cards.

4. Evaluate request of agencies for NCA covering accounts payable, trust liabilities, refund of cash advance, utilization of savings/income and other requests covered by a special budget.

5. Evaluate the Statement of Monthly Allocation and Utilization and Bank Reconciliation Statement submitted by agencies as reference for the release of subsequent NCAs.

C. Government Agencies shall:

1. Withdraw from the servicing bank, the balances per books as of February 28, 1990, of all deposit accounts under the NDS opened before and during its implementation, except those deposit accounts mentioned in sub-paragraph 2.1, for remittance to the account of the TOP thru authorized government depository banks or directly to the Cash Division, BTR covered by a remittance advice in accordance with DOF Circular No. 20-73 dated June 14, 1973.

2. Instruct the bank to close all deposit accounts under the NDS with balances as soon as all outstanding checks are negotiated, or six (6) months after the implementation of the MDS, whichever comes first, and to issue manager's/cashier's check corresponding to such bank balances in favor of the agency.

3. Deposit the manager's/cashier's check issued by the GSB to the account of the TOP as indicated in 3.3.1 above.

4. Stop using Treasury Warrants Type A and B to withdraw funds from the National Treasury except DECS which has made prior arrangement with BTR to continue using Type A warrants for payment of salaries of certain DECS personnel up to June, 1990.

5. Make an inventory of unused commercial checks (under NDS)/Treasury Warrants A and B except those with special arrangement with BTR and dispose same under existing regulations.

6. Submit to DBM the required Work and Financial Plan (WFP) and related reports for the issuance of AA and NCA.

7. Record the NCA received from DBM in accordance with the accounting procedure to be prescribed by the

COA.

8. Open sub-accounts with the Head Office/branch where the agency is authorized to maintain accounts and accordingly notify the concerned Accounting and Finance Bureau of DBM (DBM-AFB) of the bank account numbers and addresses.

9. Use a specially designed commercial check (MDS check) to withdraw funds from the MDS account, Separate series of MDS checks shall be used for each fund code.

10. Be primarily responsible for agency disbursements which should not exceed the NCAs issued by DBM that are valid only up to the end of the year.

11. Notify the GSB of the names of officials authorized to sign and countersign MDS checks and those authorized to sign and deliver the Advice of Checks Issued and Cancelled (ACFC) and submit the required specimen signature cards.

12. Purchase blank MDS, checks which shall be limited to approximately one (1) month's use, from the GSB where the agency is authorized to maintain its account. The Purchase Order (PO) shall be signed by two (2) agency officials authorized by the Head of Agency/Office. Cost of the blank checks shall be borne by the agency concerned.

13. Except for agencies with specific arrangements, release funds (for personal services, maintenance and operating expenditures, and capital outlays) to POs/ OUs that are not receiving NCAs directly from DBM, by issuing funding check (MDS check) to cover two (2) weeks requirement of the POs/ OUs which shall be deposited with a GSB, withdrawable by regular checks (commercial checks) of the GSB. Separate funding checks (MDS checks) shall be issued for each allotment class.

Agencies that are presently using continuous form checks for payment of salaries, may draw an MDS check corresponding to their bi-monthly/monthly salary requirement and deposit the check to a separate checking account with a GSB. Accounting for the operation of the checking account shall be made in accordance with procedures approved by the Commission on Audit (COA).

All other agencies shall continue paying salaries through the payroll system.

14. Charge unpaid obligations at the end of the year against the NCA of the subsequent year.

15. For COs/ ROs/POs/OUs receiving NCAs directly from DBM, remit to BTR refund for overpayment of salaries and allowances, traveling expenses, etc. pursuant to sub-paragraph 2.1. For ROs/POs/OUs maintaining checking accounts, such overpayments shall be deposited back to the checking account, the disposition of which shall be in accordance with sub-paragraph 2.9.

16. Issue MDS check to cover requirements for Fiscal Agency Service (FAS). Fiscal Agency request shall be forwarded directly to the Central Bank of the Philippines (CBP) for evaluation/approval. Fiscal agency requests of agencies directly drawn against special accounts maintained by the BTR with CBP is exempted from this requirement. Requests for direct availments against such special accounts shall be coursed through the BTR for endorsement to CBP, as usual.

17. Prepare and submit ACIC (Annex B) at least daily to the GSBs.

The ACIC, certified correct by the Disbursing Officer (DO) and approved by the Head of Office/Unit, shall be prepared in five (5) copies to be distributed as follows:

Original and Duplicate to be submitted to GSB where the agency is authorized to open sub-account.
Triplicate - COA Auditor
Quadruplicate - Chief Accountant

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Quintuplicate - Agency file

18. Ensure that the ACIC is promptly submitted to the GSB to enable payees to encash/negotiate the issued checks.

19. See to it that the checks are properly accomplished by indicating appropriate codes (Refer to Annex C for the allotment/object class codes and Annex D for area codes).

20. Perforate the directly cancelled or spoiled chekcs and write the word CANCELLED in bold letters on the face of the check. Such cancelled/spoiled check shall be forwarded to the COA auditor for custody.

21. Reconcile the disbursement accounts per agency books with the corresponding Statements of Accounts furnished by the GSB.

22. Submit on or before the 15th day of the following month, bank reconciliation statements to COA Resident Auditor copy furnished the GSB concerned, the BTR and the DBM-AFB concerned.

23. Submit Statement of Monthly Allocation and Utilization to DBM within ten (10) days after the end of the month.

D. Government Servicing Banks shall:

1. Open and maintain the following:

a. MDS account of the TOP in the Head Office.

b. MDS sub-accounts for each agency and for each fund code.

c. checking account for salaries of agencies using continuous form checks for payment of salaries upon request of agencies concerned.

d. checking account for POs/ OUs receiving funding checks (MDS checks) from COs/ ROs concerned.

2. Issue blank checks to the agency, only on the basis of a PO signed by the Head of the Agency/Office or his duly designated representative. A copy of the PO wherein the serial number of the checks purchased are indicated shall be furnished the BTR.

3. Honor only MDS checks that are listed in the ACIC.

4. Dishonor MDS checks presented for payment if the bank records show that the agency is withdrawing over and above the balance of the sub-account.

5. Transmit to BTR through the GSB Head Office the duplicate copy of ACICs as often as they are submitted to the bank by the agencies.

6. Furnish the agency within five (5) days after the end of the month the Monthly Statement of Account for each fund together with the negotiated checks for reconciliation purposes. A copy of the Monthly Statement of Account shall be furnished the DBM.

7. Debit the MDS account in the Head Office for the total amount of negotiated MDS checks indicated in the Daily Summary of Negotiated Checks.

8. Furnish the BTR daily, Statement of MDS Account together with the debit advice, the Daily Summary of Negotiated Checks supported by clear copies of Statements of Accounts of Negotiated Checks by agency and by fund with corresponding adding machine tapes.

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9. Submit to BTR corrections/adjustments of negotiated checks previously reported in the Statements of Accounts of Negotiated Checks in a separate report supported by the corresponding bank credit/debit advice.

10. Submit to ETR, month-end balances of deposit accounts maintained by ROs/POs/OUs receiving funding checks (MDS checks) from their respective COs/ ROs.

IV
Specific Instructions

A. Release of Funding Check (MDS check) to POs/ OUs not receiving NCAs directly from DBM

1. COs/ ROs shall -

a. Issue funding check (MDS check) corresponding to two (2) weeks requirement for deposit to the account of POs/ OUs. Separate funding checks shall be issued for each allotment class.

b. Record the release of the funding check to POs/ OUs, in accordance with the prescribed accounting entries issued by the COA.

c. Evaluate the Statement of Allocation and Utilization submitted by POs/ OUs as reference for the release of subsequent funding checks.

2. POs/ OUs shall -

a. Establish a deposit account with a government depository bank and issue regular commercial check to pay obligations which will be charged against the deposit account.

b. Submit Statement of Allocation and Utilization to the CO/RO, whenever replenishment is requested.

c. Withdraw the unexpended balance of the deposit account at the end of the year and remit amount to BTR pursuant to sub-paragraph 2.1 of this circular. A copy of the remittance advice shall be given to the CO/RO concerned.

B. Notice of Transfer of Allocation (NTA) by COs to POs/ OUs not receiving NCAs directly from DBM (To be followed by the Department of National Defense and the concerned major services under it)

1. COs shall -

a. Submit to GSB Head Office immediately a written request, duly signed by the Head of Office/authorized representative, the NTA to ROs/POs/OUs upon receipt of the NCA from DBM, copy furnished the RO/PO/OU concerned, DBM-AFB concerned and TARD, BTR.

b. Record the distribution of the sub-allocation of the NCA in accordance with the prescribed accounting procedures of the COA.

c. Evaluate the Statement of Allocation and Utilization submitted by POs/ OUs as reference for the release of subsequent NTA.

2. The GSB shall -

a. Distribute the NTA to GSB branches concerned on the basis of the letter request by the CO of the agency. Copies of the sub-allocation shall be furnished the TARD-BTR, the concerned DBM-AFB and the COA Auditor of the GSB.

b. Refuse request to distribute NTA if the bank records show that the CO is using/withdrawing more than the cumulative total of the NCA.

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3. POs/ OUs shall -

a. Follow all applicable guidelines under paragraph 3.3 above, just like government agencies receiving NCAs directly from DBM, specifically sub-paragraph 3.3.7 to 3.3.21.

b. Submit Statement of Allocation and Utilization to the CO/RO concerned, whenever replenishment is requested.

c. NCAs for Foreign Assisted Projects sourced from foreign loans/foreign grants

1. Agencies receiving NCAs for fund codes 102 or 151 shall maintain specific ledger sheets for each project to monitor expenditures of such projects funded by foreign lending institutions.

2. The treatment of continuing appropriations as provided under COA Circular 89-302 dated December 29, 1988 shall still be in force although the NCAs issued by the DBM for fund codes 102 or 151 are valid up to the end of the year only.

V
Accounting Entries

The COA shall issue the accounting guidelines and procedures to implement the provisions of this Circular.

VI
Penalty Clause

Under no circumstance shall disbursement exceed the NCA. Any officer who directly allowed withdrawals in excess of the NCA shall be held personally liable therefor pursuant to Section 47 of PD 1177.

VII
Effectivity

This Circular shall take effect on 1 March 1990.

Adopted: 27 Feb. 1990

(SGD.) GUILLERMO N. CARAGUE
Secretary

(SGD.) VICTOR C. MACALINCAG
Acting Secretary

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