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Department of Environment and Natural Resources  
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**MEMORANDUM**

**TO** : All Concerned Officials and Employees  
Bureaus, Regional Offices, PENROs, CENROs and Special  
Projects

**FROM** : Undersecretary for  
Management and Technical Services

**SUBJECT** : **REVISED PROCEDURES FOR PAYMENT OF ACCOUNTS  
PAYABLE**

**DATE** : **MAR 01 2004**

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We have attached the copy of DBM Circular Letter dated 26 January 2004, implementing the revised procedures on the payment of accounts payable.

The inclusion of the Direct Payment System in the payment of prior and current year accounts payable to external creditors of the agency is one of the amendments. Under this scheme, the Department will no longer issue MDS check as payment to external creditors but will issue instead the Advice of Debit Account (ADA) to the Government Servicing Bank to credit the corresponding amount to the creditor's bank account. A separate Notice of Cash Allocation (NCA) will be issued by DBM intended for the Direct Payment System.

The signatories in the ADA should be in consonance with the signatories and limits of authority under the Topic Checks per Manual of Approvals.

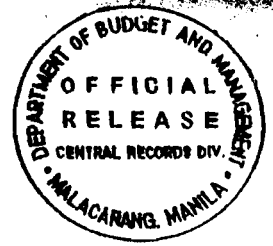
The procedures pertaining to the implementation of these regulations are embodied in the Circular, for your guidance and reference.

  
**ROLANDO L. METIN**

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REPUBLIC OF THE PHILIPPINES  
DEPARTMENT OF BUDGET AND MANAGEMENT  
Malacatang, 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**

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**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

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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. 2001-2.
- 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**).

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## 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. 2004-2.

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. 2004-2.

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/pcsted 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](http://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

LIST OF DUE AND DEMANDABLE ACCOUNTS PAYABLE - EXTERNAL CREDITORS

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

Table with columns: CREDITOR (NAME, PREFERRED SERVICING BANK / SAVINGS / CURRENT ACCNT. NO.), ROA / ALOBS NO., (In Pesos) (GROSS AMOUNT, WITHHOLDING TAX), NET AMOUNT. Includes 'P' markers in the Gross Amount, Withholding Tax, and Net Amount columns.

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.

Certified Correct :

Head of Accounting Unit

Approved:

Head of Agency or Authorized Official

ADVICE TO DEBIT ACCOUNT (ADA)

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 : \_\_\_\_\_ P \_\_\_\_\_

(In Words )

Authorized Signatories

1. \_\_\_\_\_

2. \_\_\_\_\_

(ERASURES SHALL INVALIDATE THIS DOCUMENT)

FOR MDS-GSB USE ONLY :

## ANNEX B

## SCHEDULE OF NCA RELEASES FOR ACCOUNTS PAYABLE

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