

INSIGHT FROM A DBM JUNIOR LEADER

Going Checkless and Cashless

The Modified Disbursement Payment System (MDPS) had gained substantial benefits since it was piloted in 2004 in select agencies, specifically reducing the volume of outstanding checks and addressing cash programming concerns. Seeing these benefits, the DBM broadened the system into the Expanded MDPS. Through Circular Letter No. 2013-16 dated 23 December 2013, the DBM required all the national government agencies and their operating units to implement the expanded system.

Before these two systems came into force, all disbursement transactions were done through the MDS checks, a process that was both cumbersome and risky. A lot of checks would have to be made each day and their safekeeping required a lot of effort. Further, this process was circuitous because payees would have to claim their checks personally at the Cash Division counter. Moreover, petty cash disbursements were done only by the cashier, a process that was prone to misappropriation, thus requiring tighter security measures.

One could already notice the positive effect of the Expanded MDPS at the onset. For example, disbursements were directly credited to the accounts of the suppliers, thus eliminating the need for a personal appearance of a liaison in the Cash Division. Also, payments were made in batches, thus reducing transaction time and bank-related costs.

On the other hand, we also encountered some difficulties. We were forced to create our own internal processes for a smooth implementation of the system, without deviating much from our current systems: an ICTSS-developed software was devised to generate the List of Due and Demandable Accounts Payables-Advice to Debit Account (LDDAP-ADA) form automatically; Disbursement Vouchers were left unsigned until the corresponding LDDAP-ADA was issued so as to avoid the same papers being approved by the Finance Director twice; among others. Basically, the new system proved to be a long cut of a previously concise payment procedure.

By Jeffrey DM. Galarpe¹

The Cashless Purchase Cards (CPC) also has its own pros and cons. Control of the fund is centralized and all disbursements required authority from a special disbursing officer. The liquidation of funds is efficient, because there was no cash involved. However, some issues rendered the CPC an inconvenient purchasing alternative. All petty disbursements for purchase of items for the department were made through the credit card: this eliminated small suppliers as options in the canvassing process because they do not accept credit card payments. This issue somehow limits the market and runs counter to the “lowest bid price available” provision in the procurement law. Further, because these disbursements would still be subject to auditing rules, a lot of processes and documentation are required in one payment transaction, thus resulting in penalty charges imposed on overdue payments.

The DBM's BTB, in cooperation with the COA and the DOF-BTr, is crafting the proposed amendments to the circular to address these issues. Signatories to the forms will be determined to streamline the approval process; the use of the ADA and Checks Issued and Cancelled (ACIC) form will be used for both MDS checks and ADAs for uniformity; the inclusion of minimum supplier information to the LDDAP-ADA will make it conform to the COA's requirements as evidence of receipt of payment, etc.—all of which will hopefully increase its efficiency and effectiveness in addressing corruption issues and refining the disbursement structures.

The Expanded MDPS and the CPC systems are significant reforms in the government's payment systems. However, the implementation should be reviewed and revisions to the guidelines should be made in order to correct the unintended and unforeseen effects of these reforms. The acceptance and support of the implementing agencies should be secured in order for the systems to be sustained even in the next administration. The combination of strong support by the people using the systems and the improvements in the processes, the Expanded MDPS and the CPC will prove to be very good innovations in the government's payment schemes.

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