



DEPARTMENT OF NATIONAL DEFENSE
ARMED FORCES OF THE PHILIPPINES
DEPARTMENT OF BUDGET AND MANAGEMENT



JOINT MEMORANDUM CIRCULAR NO. 2014-1

Date: May 15, 2014

FOR : THE SECRETARIES OF THE DND AND DBM, CHIEF OF STAFF OF THE AFP, BUDGET OFFICES, ACCOUNTING UNITS, RESIDENT AUDITORS OF THE DND, AFP, AND DBM AND ALL OTHERS CONCERNED

SUBJECT : GUIDELINES AND PROCEDURES ON THE USE OF CASHLESS PURCHASE CARD (CPC) SYSTEM

1.0 PURPOSE

- 1.1 To ensure the effective implementation of the Cashless Purchase Card (CPC) System as an alternative mode of payment for goods and services.
- 1.2 To prescribe guidelines and procedures to be followed in the implementation of Cashless Purchase Card System.
- 1.3 To delineate the responsibilities of DBM, DND, AFP in the authorization, utilization and payments under the Cashless Purchase Card System.

2.0 COVERAGE

This Circular shall initially cover the DND, AFP and the DBM.

3.0 DEFINITION OF TERMS

For the purpose of this Circular, the following terms shall be construed to mean as follows:

- 3.1 **Authorized Card Holder** is a responsible official to whom a Purchase Card is issued for purposes of making official purchases within specific categories enumerated under Annex A of this issuance and within limits authorized by the Steering Committee, on behalf of his/her assigned unit/office.

- 3.2 **Billing Entity** refers to the accounting unit of the concerned participating agency responsible in the consolidation of the billing statement from the Credit Card Company and payment of the said billing agency.
- 3.3 **Cardholder Statement of Account** is the statement of charges provided by the Credit Card Company/Bank to the cardholder detailing all of the transactions posted to his/her account during a billing cycle.
- 3.4 **Credit Card Company (CCC)** is the Citibank as the authorized credit card service provider for the CPC System.
- 3.5 **Direct Payment System** refers to the payment procedure whereby the MDS-GSB shall, upon receipt of NCA and LDDAP-ADA from DBM, pay the CCC not earlier than 24-hours but not later than 48-hours, thru direct credit to the CCC current account.
- 3.6 **Emergency Purchase** pertains to the procurement of goods or services that are urgently necessary for an agency to ensure the efficient, timely and immediate delivery of services during but not limited to times of calamity.
- 3.7 **Merchants** are those authorized by the Credit Card Company to be the sellers/suppliers under the CPC System. They shall not include those enumerated in Annex B of this Circular.
- 3.8 **Modified Disbursement Scheme-Government Servicing Bank (MDS-GSB)** refers to the authorized government servicing banks such as the Land Bank of the Philippines (LBP), Development Bank of the Philippines (DBP), and Philippine Veterans Bank (PVB), where the NCA is issued by the DBM, for credit to the MDS sub-account of NGAs.
- 3.9 **Official Receipt (OR)** shall be required for disbursements where the payee/recipient is a business establishment required by the Bureau of Internal Revenue to issue Official Receipts for its collections. The OR may also be in the form of cash receipt tape generated by cash register with Bureau of Internal Revenue seal. (COA Circular No. 2004-006).
- 3.10 **Program Administrator** designated by the head of the agency is tasked to implement and administer the Cashless Purchase Card System in the participating agency
- 3.11 **Purchase Card** is an electronic card used by the government participating agency that bears the name of the Authorized Card Holder intended for the procurement of pre-identified items and services to be used in the pursuit of official functions only.

3.12 **Purchase Limit :**

3.12.1 **Cardholder Monthly Purchase Limit** is a limit established by the Program Administrator and approved by the Steering Committee for the total value of purchases that a cardholder can make in one month.

3.12.2 **Cardholder Single Purchase Limit** is the maximum amount allowed the cardholder for each transaction.

3.12.3 **Maximum Purchase Card Limit** refers to the maximum amount that the unit/office is authorized to utilize as stated in the Purchase Card application. The maximum credit limit varies per unit/office depending on their requirements and needs.

3.13 **Steering Committee** is the advisory committee composed of representatives from the DND and the DBM which shall provide guidance on key issues such as policy and objectives, control, procedures, individual card limits, individuals authorized to use the cards, amendments, and decisions involving large expenditures.

4.0 GENERAL GUIDELINES

4.1 The initial implementation of this CPC System shall cover the DND, AFP, and DBM as participating agencies.

4.2 The Cashless Purchase Card (CPC) System to be implemented by the participating agencies is a mode of procuring specific eligible items through the use of an electronic card. The CPC functions similarly to a credit card and shall only be used for pre-identified items within monthly limits set at levels mutually agreed upon by members of the Steering Committee. The CPC shall likewise be used only with specific merchant groups already enumerated under agreement with the credit card company.

4.3 Only individuals recommended by the Program Administrator and authorized by the Steering Committee shall be allowed to use the CPC at predetermined monthly purchase limits. Authorized individuals shall be permanent employees of the participating agencies and shall, as much as possible be involved in the procurement of goods and services of their unit/office.

4.3.1 Individual credit limits which have been approved by the Steering Committee may only be increased and/or amended by the Steering Committee.

- 4.3.2 Approvals for increased individual credit limits as well as additional personnel of participating agencies to be entitled to the CPC shall only be granted after three (3) months pilot testing of implementation of the CPC System.
- 4.3.3 In the event the participating agencies determine that additional personnel should be entitled to the CPC or in case its existing cardholders need to be replaced, the Program Administrator shall inform the Steering Committee in writing about the changes proposed. The Program Administrator must support these changes with a written explanation on why the changes are being sought.
- 4.4 Chief of Offices of the Participating Agencies who approved CPC are jointly accountable with their Special Disbursing Officers.
- 4.5 The CPC System shall not, in any way, supplant, replace or revise the procurement policies and procedures prescribed under RA No. 9184 otherwise known as the Procurement Law.
- 4.6 The total amount authorized to be covered by the CPC shall form part of the cash advance levels of the participating agencies. The CPC shall not be used nor is intended to allow or justify the increase in cash advance levels for the participating agencies.
- 4.7 The CPC shall initially be used for purchase of small value non-common use items which are not available with the Procurement Service.
- 4.8 The cost of purchasing unauthorized items using the CPC shall be for the personal account of the individual who undertook the transaction. This is without prejudice to the suspension of the cardholder's privilege to use the issued CPC and other penalties which the participating agencies may impose.
- 4.9 In case the participating agencies find specific items which it disputes as having been procured (based on the receipts the individual CPC holder has), they shall immediately inform CCC of this discrepancy.
- 4.10 The participating agencies shall ensure the timely payment of the CPC billing received from the CCC. In the event that delays in payment of these CPC billings occur, any additional charges such as late payment charges/penalties shall be charged against the personal account of the employee directly responsible for the cause of such delays. In no case shall the NCA issued be used to settle late payment charges/penalties.

4.11 The existing disbursement policies and procedures on the use of NCA and the Common Fund System shall continue to apply where the CPC System is concerned.

4.12 Payment to the CCC for legitimate purchases made out of the CPC shall be consistent with the existing MDS disbursement procedures pursuant to Circular Letter No. 2013-16.

4.13 The items authorized to be procured and the Blocked Merchant Category Code via the CPC System are hereby enumerated under Annexes A and B, respectively.

5.0 SPECIFIC GUIDELINES

5.1 Once the allotment is made available to the participating agencies, the latter shall obligate an amount under supplies, materials and other services corresponding to the amount allocated for the CPC system.

5.2 The CPC holder shall be entitled to purchase goods from accredited merchants once the obligation for the CPC has been made.

5.3 The CPC holder shall secure the charge slips/receipts issued by the accredited merchant and file the same for the purposes of submission to the agency accounting units. These documents shall also be used for inspection of actual goods purchased and payments to the CCC.

5.4 Inspection and acceptance of the procured items shall comply with the existing procedures adopted by the agency for the purpose.

5.5 The accounting offices/units shall ensure that procured items are within the items enumerated in Annex A and consistent with the limitations under Annex B of this Circular.

5.6 Upon receipt of the CCC billing statement, the agency accounting units shall compare the totals of the charge slips against the amounts reflected in the billing statement and confirm the correctness of the same.

5.7 The Finance Service Unit of the concerned agency shall ensure that payments are made on or before the dates specified in the CCC billing statement.

5.8 The cost of items being disputed shall likewise be included in the payment to be made. Adjustments in payments, if required, shall be made in the subsequent billing cycle.

5.9 In the event the CPC is lost or stolen, the cardholder must immediately notify the Program Administrator. He must likewise be responsible in

reporting to the CCC via phone or electronic modes, the loss of the card to prevent unauthorized utilization of the same.

5.9.1 The privilege of the CPC holder to procure goods through a CPC shall temporarily be suspended in case his card is stolen or lost.

5.9.2 The Program Administrator shall determine whether the CPC holder was negligent and/or culpable in the loss of his CPC. He shall recommend remedial steps in case of noted procedural gaps; permanent suspension of the privilege or restoration of the same. In all these instances, the Program Administrator shall inform the Steering Committee on the measures taken.

5.9.3 The CPC person shall be held accountable in terms of payment for the purchases made against the card during the period it was lost or stolen.

6.0 SANCTIONS/PENAL PROVISIONS

6.1 Upon failure of the cardholder to liquidate his Purchase Card expenses within two (2) months, the Chief Accountant shall issue a letter demanding liquidation or explanation for its non-liquidation.

6.2 Thirty (30) days after the demand letter is served and no liquidation or explanation is received, or the explanation received is not satisfactory, the Chief Accountant shall advise the Chief of Units/Offices and the Director, Finance Unit, to cause or order the withholding of the payment of any money due the cardholder.

6.3 Every officer accountable for government funds shall be liable for all losses resulting from the unlawful deposits, use or application thereof and for all losses attributable to negligence in keeping of the funds. (Sec 105 (2), PD 1445).

6.4 No accountable officer shall be relieved from liability by reason of his having acted under the direction of a superior officer in paying out, applying or disposing of the funds or property with which he is chargeable, unless prior to that act, he notified the superior officer in writing of the eligibility of payment, application or disposition. (Sec 106, PD 1445).

6.5 The officer directing any illegal payment or disposition of the funds or property shall be primarily liable for the loss, while the accountable officer who fails to serve the required notice shall be secondarily liable. (Sec 106, PD 1445).

7.0 RESPONSIBILITY OF THE HEAD OF THE PARTICIPATING AGENCIES

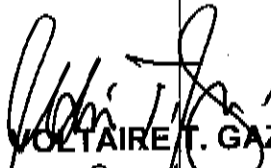
It is the responsibility of the Head of the concerned Participating Agencies to strictly implement the provisions of this Joint Circular subject to sanctions provided for under applicable laws.

8.0 SAVING CLAUSE


Cases not covered by this Circular shall be referred to the Steering Committee for resolution.


9.0 EFFECTIVITY

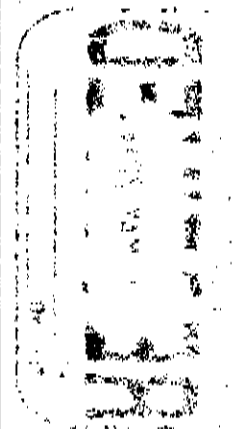
This Circular shall take effect immediately.


VOLTAIRE T. GAZMIN
Secretary
Department of National Defense




FLORENCIO B. ABAD
Secretary
Department of Budget and Management


EMMANUEL T. BAUTISTA
Chief of Staff
General Headquarters
Armed Forces of the Philippines



ANNEX A**Goods Authorized to Be Procured Under the Cashless Purchase Card System**

A. Foodstuff	
1	Rice, corn
2	Bread
3	Fresh, dried and canned fish and other marine products
4	Fresh pork, beef and poultry meat
5	Fresh eggs
6	Fresh and processed milk
7	Fresh vegetables
8	Fresh fruits
9	Dried, processed and canned pork, beef and poultry meat
10	Dairy products not falling under basic necessities
11	Root crops
12	Flour
13	Noodles
14	Onions and garlic
15	Coffee
16	Sugar
17	Cooking oil
18	Salt
19	Coffee Creamer
20	Tea
21	Bottled Water
B. Medicines, Medical and Dental Supplies	
C. Construction Supplies for Minor Repairs	
1	Nipa shingle
2	Plyboard
3	Light bulbs
4	Steel wire
5	Electrical supplies
6	Nails
7	And Other Construction Supplies
D. Others	
1	Laundry soap and detergent
2	Firewood
3	Charcoal
4	Candles
5	Batteries
6	Office supplies

ANNEX B

MERCHANT CATEGORY CODE BLOCKED LIST OF CITIBANK

	Merchant Code	Description
1	4899	Cable, Satellite & Other Pay Television & Radio Services
2	5300	Wholesale Clubs
3	5641	Children and Infants Wear Stores
4	5681	Furriers and Fur Shops
5	5949	Sewing Needlework, Fabric & Piece Goods Stores
6	5967	Direct Marketing - Inbound Telemarketing Merchants
7	5970	Artists Supply and Craft Shops
8	5993	Cigars Stores and Stands
9	7211	Laundries (Family and Commercial)
10	7273	Dating/Escort Services
11	7277	Counseling Services - Debt, Marriage Personal
12	7297	Massage Parlors
13	7841	Video Tape Rentals
14	7995	Betting Facilities
15	9211	Court Cost including Child Support
16	9223	Bail and Bond Payments
17	9311	Tax Payments
18	9401	Food Stamps
19	4411	Steamship and Cruise Lines
20	4457	Boat Rentals and Leasing
21	5094	Precious Stones and Metals, Watches and Jewelry
22	5812	Eating Places and Restaurants
23	5813	Drinking Places (Alcoholic Beverages), Bars, Taverns
24	5921	Nightclubs, Cocktail Lounges, and Discotheques
25	6010	Financial Institution - Manual Cash Disbursements
26	6011	Financial Institution - Automated Cash Disbursements
27	7012	Timeshares
28	7230	Barber and Beauty Shops
29	7298	Health and Beauty Shops
30	7299	Miscellaneous Personal Services - Not Elsewhere Classified
31	7829	Motion Picture & Video Tape Production & Distribution
32	7832	Motion Picture Theaters
33	7911	Dance Halls, Studios and School
34	7922	Theatrical Producers (except Motion Pictures) & Ticket Agencies
35	7929	Bands, Orchestras, and Miscellaneous Entertainers
36	7932	Billiard and Pool Establishments
37	7933	Bowling Alleys
38	7941	Commercial Sports, Professional Sports Club, Athletic Fields and Sports Promoters
39	7991	Tourist Attractions and Exhibits
40	7992	Public Golf Courses
41	7993	Video Amusement Game Supplies
42	7994	Video Game Arcades
43	7996	Amusement Parks, Circuses, Carnivals & Fortune Tellers
44	7997	Membership Clubs
45	7998	Aquariums, Seaquariums, Dolphinariums
46	7999	Recreation Services
47	9751	U.K. Supermarkets
48	9752	U.K. Petrol Stations