



REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF BUDGET AND MANAGEMENT
BONCODIN HALL, GENERAL SOLANO STREET, SAN MIGUEL, MANILA



CIRCULAR LETTER

No. 2018 - 14
December 28, 2018

TO : All Heads of Departments/Agencies/State Universities and Colleges and Other Offices of the National Government, Budget Officers and Heads of Accounting Units, COA Auditors, Heads of Modified Disbursement System - Government Servicing Banks (MDS-GSBs), and All Others Concerned

SUBJECT : Updated Guidelines in the Implementation of the Modified Direct Payment Scheme (MDPS) Due Creditors/Payees of All National Government Agencies (NGAs)

1.0 BACKGROUND

DBM Circular Letter No. 2013-16, dated December 23, 2013, mandated the NGAs to use the Expanded Modified Direct Payment Scheme (ExMDPS) for payment of Accounts Payables (A/Ps) due creditors/payees of all National Government Agencies/ Operating Units (NGAs/OUTs) and the use of the List of Due and Demandable Accounts Payables – Advice to Debit Account (LDDAP-ADA) as an accountable form under the ExMDPS.

The Circular expanded the coverage to include all departments/agencies/operating units and all types of creditors. Under this scheme, direct payment to the creditor's account is effected by MDS-GSBs chargeable against the Notice of Cash Allocation (NCA) credited under MDS sub-accounts of NGAs starting January 1, 2014 and was deferred to March 1, 2014 following the issuance of DBM Circular Letter No. 2013-16 A, dated February 6, 2014.

The Bureau of Treasury (BTr) issued Treasury Circular No. 3-2018 on the handling of the LDDAP-ADA by the NGAs and GSBs whereby processing can only be done if both the LDDAP-ADA and the covering Summary of LDDAP-ADAs Issued and Invalidated ADA Entries (SLIIE), the document equivalent to Advice of Check Issued and Cancelled (ACIC) are both submitted.

To enhance compliance with the MDPS scheme, this Circular Letter (CL) is issued to reiterate previously issued DBM Circulars and provide updated guidelines.

2.0 PURPOSE

- 2.1 To direct NGAs to pay using the Advice to Debit Account (ADA) to suppliers/creditors/payees;
- 2.2 To clarify the procedures for payment of obligations (A/Ps) to small creditors and those creditors which cannot be conveniently nor practicably paid using the ADA, as the exemption to item 2.1;
- 2.3 To provide guidelines on the bank fund transaction fee/s and issuance of the official receipt/s by the suppliers/creditors in line with the issuance of the Bureau of Internal Revenue (BIR Regulations No. 18-2012)

3.0 GENERAL GUIDELINES

- 3.1 NGAs shall use the existing LLDAP-ADA and SLIIE to settle all A/Ps to creditors/payees including utility companies and social insurance corporations except GSIS (until such time that GSIS is equipped to accept direct payment scheme).

The implementation of the MDPS shall strictly be followed for transactions entered into by NGAs. Payment of A/Ps due creditors/payees through the LDDAP- ADA shall be free of transaction cost, provided said creditors/payees maintain Current/Savings Account (CA/SA) with any branch of the same MDS-GSB of the NGA.

- 3.2 The NGAs shall require its creditors/payees without CA/SA accounts with the agency's MDS-GSB to issue a remitter's instruction to the agency GSB as sender of the fund. The GSBs shall follow BSP Circular 980 series of 2017 on the National Retail Payment System (NRPS) framework which specified that transaction cost/s shall be paid by the sender.

The suppliers/creditors as remitter shall shoulder the cost of transferring payment from the NGAs GSB to other GSB (Land Bank of the Philippines to Development Bank of the Philippines) and NGA's GSB to other non GSBs (LBP to BDO, etc.). The GSBs shall use InstaPay Electronic Fund Transfer Service of BSP for transactions P50,000 and below.

- 3.3 NGAs shall submit duly signed LDDAP-ADA and the covering SLIIE (equivalent ACIC) to the MDS-GSBs. The MDS-GSBs shall not process LDDAP-ADA without the covering SLIIE consistent with the provisions of BTr Letter Circular No 3-2018.

- 3.4 Creditors/suppliers who cannot be conveniently nor practicably be paid using the ADA as determined by the Agency Head, may continue to be paid through issuance of MDS checks or cash. These accounts include:
- 3.4.1 Small value creditors/payees with claims during the year costing P10,000 and below, e.g., government scholars, recipients of DOLE's Special Program for the Employment of Students (SPES)
 - 3.4.2 Creditor/payee of the agency with non-regular transaction or one time transaction during the year, e.g., Right-of-Way claimants, relocation expenses for informal settlers and others
 - 3.4.3 Companies which are not authorized, per their internal policy, to open current accounts in addition to their existing accounts.
- 3.5 All NGAs are reminded of Treasury Circular No. 01-2014 dated May 20, 2014 which requires prior clearance from the Bureau of Treasury (BTr) before purchase of MDS checks from the servicing MDS-GSB.
- 3.6 NGAs shall observe existing guidelines on the submission of Checks Issued and Cancelled (ACIC) for transactions paid through MDS Checks.
- 3.7 As a general rule, the MDS-GSB shall effect payment of A/Ps to the individual accounts of creditors within the next two (2) banking days after receipt of the LDDAP-ADA and SLIIE.
- 3.7.1 Exemptions from the two (2) banking days crediting through LDDAP ADA and SLIIE shall be allowed for:
 - 3.7.1.1 payroll fund except pension benefits, to facilitate payments of salaries and other personnel benefits, and professional services rendered under job order and contract of service status.
 - 3.7.1.2 cash advances in 4.1.2.2
 - 3.7.2 Since GSBs designate a cut-off time, receipt of LDDAP-ADA and SLIIE after said time, shall be considered submission on the following day.
- 3.8 Consistent with accounting and auditing rules and regulations, the NGAs are reminded to require their creditors to issue Official Receipts (ORs) or Sales Invoice as evidence of receipt of payment through LLDAP-ADA and SLIIE or MDS check. However, in

instances where supply of goods are ON CREDIT and the required Sales Invoice are issued upon delivery of goods, supplemental/secondary receipts such as Acknowledgement Receipt or Collection Receipt are issued upon collection of account following Revenue Regulations No. 18-2012.

3.8.1 In case the supplier/contractor failed to submit OR or sales invoice, the list of bank-validated ADA shall be attached to the DV as proof of payment.

3.8.2 In the case of supplier/contractor maintaining accounts outside the agency's MDS-GSB where corresponding bank charges are paid by the supplier/contractor as remitter (as deduction from the amounts transferred to their accounts), the OR or Sales Invoice to be issued by the creditor concerned shall correspond to the gross amount.

3.8.3 Non-issuance of OR or Sales Invoice by the contractor/supplier shall be reported to the BIR as violation of regulations

3.9 The posting at respective agency websites of the Agency's established procedures in processing APs as indicated in its Citizen's Charter, e.g., flowchart including the timelines.

4.0 **SPECIFIC GUIDELINES**

4.1 The processing of ADA shall be streamlined as follows:

4.1.1 NGAs/OUTs shall use the existing List of Due and Demandable Accounts Payable – Advice to Debit Account (LDDAP-ADA) and the Summary of LDDAP-ADAs Issued and Invalidated ADA Entries (SLIIE) forms, attached as Annex A, to be prepared by the Accounting Division, Certified Correct by the Chief Accountant/Head of Accounting. These documents shall be approved by the Cashier or the Agency Head or his/her authorized signatories, similar to the signatories of the MDS checks (consistent with the Government Accounting Manual (GAM) - Sec. 56. Procedures for Disbursements through LDDAP-ADA).

4.1.1.1 Disbursement Vouchers (DVs) duly processed and certified correct by the Chief Accountant or equivalent personnel and approved for payment by authorized signatory, shall be attached to the LDDAP-ADA.

4.1.1.2 Based on the approved DVs, the Cashier or Head of Cash Div. shall approve the LDDAP-ADA and SLIIE. In order to avoid delays in

crediting of funds, the Cashier shall ensure the accuracy of the data, i.e., creditor's name, bank account number/branch, invoice number/reference number, etc. to be reflected therein based on the bank validated Letter of Introduction (LOI) submitted by the creditor or from the agency database or registry of creditors, if available.

4.1.1.3 Separate ADAs shall be prepared for those creditors/payees maintaining accounts with the NGA's GSB and for those creditors/payees to be paid through other GSB or private banks.

4.1.1.4 An LDDAP-ADA may be composed of several pages. Each page, however, shall reflect the sub-total, signed by the Agency Authorized Signatories.

4.1.1.5 The LDDAP- ADAs and SLIIE shall be pre numbered consecutively, i.e., without gaps, within a calendar year.

4.1.1.6 LDDAP-ADA and SLIIE existing forms shall be used with the following basic information:

- LDDAP-ADA number and issue date
- Creditor/payee's information such as name, address, name of bank, branch, bank account number, Tax Identification Number (TIN)
- Amount Due (gross, deductions, net amount)
- Obligation Request No.
- Department/Allotment class/fund code using UACS
- Agency/OU authorized signatories

4.1.2 The MDS-GSB shall use the list of payees with account details and amount duly certified and issued by the agency's authorized signatories as attachment to LDDAP-ADA and SLIIE for:

4.1.2.1 personnel-related transactions, e.g., salaries, clothing allowance, monetization, pension, etc.

4.1.2.2 cash advances granted on the explicit authority of the Head of Agency or his/her authorized representative to duly designated disbursing officers or employees for approved purposes

e.g., as payment of operating expenditures of the agency field office or non-Implementing Units (non IUs), special purpose/time-bound undertaking of the agency, travel expenditures, etc.

5.0 SAVING/ REPEALING CLAUSE

5.1 Provisions of existing circulars, which are not consistent with these guidelines are hereby repealed and/or modified accordingly.

5.2 Cases not covered by this Circular shall be referred to the DBM for resolution.

6.0 EFFECTIVITY

This Circular shall take effect January 2, 2019.


BENJAMIN E. DIOKNO
Secretary



LIST OF DUE AND DEMANDABLE ACCOUNTS PAYABLE - ADVICE TO DEBIT ACCOUNTS (LDDAP-ADA)							
DEPARTMENT } AGENCY } OPERATING UNIT } FUND CODE } MDS-GSB BRANCH/MDS SUB ACCOUNT NO.							
I. LIST OF DUE AND DEMANDABLE ACCOUNTS PAYABLE (LDDAP)							
CREDITOR		Obligation Request No.	ALLOTMENT CLASS (per UACS)	In Pesos			REMARKS
NAME	PREFERRED SERVICING BANK/SAVINGS/CURRENT ACCT. NO.			GROSS AMOUNT	WITHHOLDING TAX	NET AMOUNT	
I. Current Year A/Ps							FOR MDS-GSB USE ONLY
Sub-total							
II. Prior Years' A/Ps							
Sub-total							
TOTAL				P	P	P	
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.				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.			
Certified Correct: _____ Head of Accounting Unit				Approved: _____ Head of Agency or Authorized Official			
II. 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 (A/Ps).							
TOTAL AMOUNT :				P _____			
				(In Words)			
Agency Authorized Signatories							
1. _____ 2. _____ (Erasures shall invalidate this document)							
FOR MDS-GSB USE ONLY:							
Instructions: 1. Agency shall arrange the creditors on a "first-in, first-out" basis, that is according to the date of receipt of supplier's/creditor's billing, duly supported with complete documents. 2. MDS-GSB branch concerned shall indicate under 'Remarks' column, non-payments made to concerned creditors due to inconsistency in information (creditor account name, number) between LDDAP-ADA and bank records.							

NOTES:

The LDDAP-ADA is an accountable form
 * Indicate the description/name and UACS code

LDDAP-ADA NO. _____

Date of Issue _____

DÉPARTEMENT :
 AGENCY :
 OPERATING UNIT :
 FUND CODE :

}

*

SLIIE No. _____

Summary of LDDAP-ADAs Issued and Invalidated ADA Entries (SLIIE)

To: The Bank Manager

(Bank Branch) _____

(Address) _____

LDDAP-ADA No.	Date of Issue	Amount					For GSB Use Only	
		Total	Allotment / Object Class				Remarks	
			PS	MOOE	CO	FINEX		
No. of pcs. of LDDAP-ADA _____		Total Amount Amount in Words						
LDDAP-ADA No.	Amount	Date Issued	OF WHICH INVALIDATED ENTRIES OF PREVIOUSLY ISSUED LDDAP-ADAs					Remarks
			Allotment / Object Class					
			PS	MOOE	CO	FINEX	TOTAL	
Certified Correct by: (Signature) _____ (Name in Print) _____ Head of Accounting Unit			Approved by: (Signature) _____ (Name in Print) _____ Head of Agency/Authorized Official					
TRANSMITTAL INFORMATION Delivered by: (Signature) _____ (Name in Print) _____ (Designation) _____								
Received by: (Signature) _____ (Name in Print) _____ (Designation) _____								

* Indicate the description/name and UACS code