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

CIRCULAR LETTER

No. 2024 -16
November 12, 2024

TO : **Heads of Departments/Agencies/State Universities and Colleges and Other Offices of the National Government, Budget Officers; Heads of Accounting Units; Heads of Authorized Government Servicing Banks (AGSBs); and All Others Concerned**

SUBJECT : **MODIFICATION ON PERIOD FOR THE ENCASHMENT OF MODIFIED DISBURSEMENT SYSTEM (MDS) CHECKS AND PAYMENT THROUGH ADVICE TO DEBIT ACCOUNT (ADA) UNDER THE MDS FOR THE REST OF FISCAL YEAR (FY) 2024**

1.0 In order to facilitate the settlement of valid government payables within the current year and avoid spill-over pressure of outstanding payables to the incoming year's cash disbursement program, the immediate payment to government creditors/payees through ADA or encashment of MDS checks issued should be made. Hence, this Circular is issued to prescribe the disbursement procedures to be observed for the rest of the current year, FY 2024.

2.0 In the disbursement of government funds, the following procedures are prescribed under pertinent existing Circular Letters (CLs):

2.1 **MDS Checks**[1]

2.1.1 MDS checks issued by agencies/operating units (OUs) shall be covered by Advice of Checks Issued and Cancelled (ACIC);

2.1.2 Agencies shall release MDS checks to the creditors/payees **the day after** the covering ACIC has been submitted to the AGSBs concerned;

2.1.3 MDS checks shall be presented by creditors/payees to the AGSBs **not earlier than 24 hours after the date of issue**; and

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[1] Department of Budget and Management (DBM) Circular Letter (CL) No. 91-3 dated March 14, 1991: Encashment of Checks under the Modified Disbursement System (MDS)

2.1.4 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.[2] These accounts include:

2.1.4.1 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);

2.1.4.2 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; and

2.1.4.3 Companies which are not authorized, per their internal policy, to open current accounts in addition to their existing accounts.

2.2 **ADA**

2.2.1 List of Due and Demandable Accounts Payable (LDDAP)-ADAs submitted by agencies/OUs to the AGSB shall be covered by a Summary of LDDAP-ADAs Issued and Invalidated ADA Entries (SLIIE), the document equivalent to ACIC;[3] and

2.2.2 AGSBs shall effect direct payment by crediting the creditors/payees' bank account, **not earlier than 24 hours but not later than 48 hours after receipt** of the LDDAP-ADA,[4] chargeable against the agency's MDS sub-account.

In the case of far-flung location of certain AGSB branches specifically identified by the AGSB Head Office (where fax/wire/cable cannot be used), the reckoning time for the crediting will be the actual receipt by the said specific AGSB branch, of the copy of the LDDAP-ADA sent via pouch, from either its AGSB Head Office for DBM Central Office releases or for the AGSB Regional Office branch for DBM Regional Office releases.[5]

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[2] Item 3.4 of DBM CL No. 2018-14 dated December 28, 2018: Updated Guidelines in the Implementation of the Modified Direct Payment Scheme (MDPS) Due Creditors/Payees of All National Government Agencies (NGAs)
[3] Item 3.3 of DBM CL No. 2018-14 dated December 28, 2018: Updated Guidelines in the Implementation of the Modified Direct Payment Scheme (MDPS) Due Creditors/Payees of All National Government Agencies (NGAs)
[4] Item 7.3.2 of DBM CL No. 2013-16 dated December 23, 2013: Implementation of the Expanded Modified Direct Payment Scheme (ExMDPS) for Accounts Payable Due Creditors/Payees of all National Government Agencies (NGAs)
[5] Item 7.3.3 of DBM CL No. 2013-16 dated December 23, 2013: Implementation of the Expanded Modified Direct Payment Scheme (ExMDPS) for Accounts Payable Due Creditors/Payees of all National Government Agencies (NGAs)

3.0 Effective **December 1 to December 31 of the current year, FY 2024**, the following procedures in the settlement of payables shall be observed in order to facilitate the encashment of MDS checks and crediting of payments through ADA to creditors/payees' bank accounts.

3.1 The 24-hour waiting period for the encashment of MDS checks as well as the crediting of creditors/payees' bank accounts specified in the LDDAP-ADA **is hereby lifted/suspended for the whole month of December 2024.** Thus, agencies/OUs are instructed to immediately transmit without delay the properly accomplished ACICs/SLIIEs to their respective AGSBs.

3.2 Upon receipt of the covering ACIC/SLIIE by the AGSB concerned:

3.2.1 Agencies/OUs **shall immediately release** the MDS Checks to creditors/payees.

3.2.2 AGSBs **shall immediately effect** payment to the creditors/payees and provide the agencies/OUs concerned with a copy of the duly validated/posted ADA, to inform the agencies/OUs of the following:

3.2.2.1 Direct payments effected in favor of creditors/payees, i.e., machine validation shown in the lower portion of the said document; and

3.2.2.2 Non-payment to creditors/payees indicated under "remarks" column, due to any inconsistency of information (i.e., bank branch, account name/number) between bank records and LDDAP-ADA.

4.0 Agencies/OUs are **encouraged to settle** their due and demandable obligations as soon as possible, **by issuing MDS checks/paying through ADA not later than December 23, 2024**, if practicable. However, **they may still issue MDS checks/pay through ADA up to the last working day of the year** (i.e., Friday, December 27, 2024).

5.0 This Circular shall take effect starting December 1 of the current year until the last working day of the same year.

AMENAH F. PANGANDAMAN
Secretary