



REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF BUDGET AND MANAGEMENT
BONCODIN HALL, GEN.SOLANO ST., SAN MIGUEL, MANILA



CIRCULAR LETTER

No. 2018 - 11
November 21, 2018

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

SUBJECT : Modification on Period for the Encashment of MDS Checks and Payment through Advice to Debit Account (ADA) under the MDS for the Rest of FY 2018

- 1.0 In order to facilitate 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, immediate payment to government creditors/payees through ADA or encashment of MDS checks issued shall be observed for the rest of the current year, FY 2018.
- 2.0 In the disbursement of government funds, the following procedures are prescribed under existing Circular Letters (CLs):
 - 2.1 MDS Checks
 - 2.1.1 MDS checks issued by agencies/OUs shall be covered by Advice of Checks Issued and Cancelled (ACIC);
 - 2.1.2 Agencies shall release MDS checks the day after the covering ACIC has been submitted to the servicing bank concerned; and
 - 2.1.3 MDS checks shall be presented to the servicing bank **not earlier than 24 hours after the date of issue.**
 - 2.2 Advice to Debit Account (ADA)
 - 2.2.1 List of Due and Demandable Accounts Payable (LDDAP)- ADAs submitted by agencies/OUs to the MDS-GSB shall be covered by a Summary of LDDAP-ADAs Issued and Invalidated ADA Entries (SLIIE), the document equivalent to ACIC; and

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

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

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

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

3.2 Upon receipt of the covering ACIC/SLIIE by the MDS-GSB concerned:

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

3.2.2 MDS-GSB shall immediately effect payment to the creditors/payees and provide the NGA/OU concerned with a copy of the duly validated/posted ADA, to inform the NGA/OU of the following:

- Direct payments effected in favor of creditors, i.e., machine validation shown in the lower portion of the said document; and
- Non-payment to creditor/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 the Thursday immediately preceding December 25, of the current year**, e.g., *December 20 in FY 2018*), if practicable. However, **they may still issue MDS checks/pay through ADA up to the last working day of the year** (e.g., *December 28 in FY 2018*).

- 5.0 Further, agencies/OUs are reminded to advise their respective creditors/suppliers to ensure immediate encashment of the issued MDS checks, considering the adoption of cash-based budgeting starting FY 2019.
- 6.0 This Circular shall take effect starting December 1 of the current year until the last working day of the same year.

CC
BENJAMIN E. DIOKNO
Secretary

