

Implementation of the Checkless Payment System

Re: Expanded Modified Direct Payment Scheme (MDPS) for Accounts Payable (A/Ps)

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PAGBA 2nd Quarter Seminar

July 22 - 25, 2015

Rolling-Out Key PFM Reforms

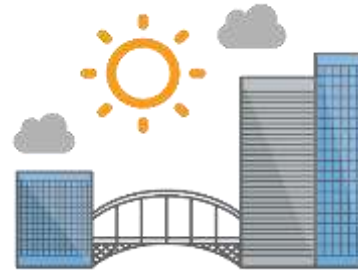
Since 2013: 



Unified Account Code Structure (UACS) **1**



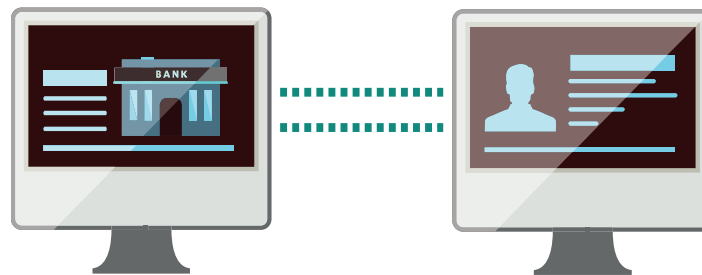
Performance Informed Budgeting (PIB) **2**



Early Procurement for Infrastructure **3**



GAA as Release Document (GAARD) **4**

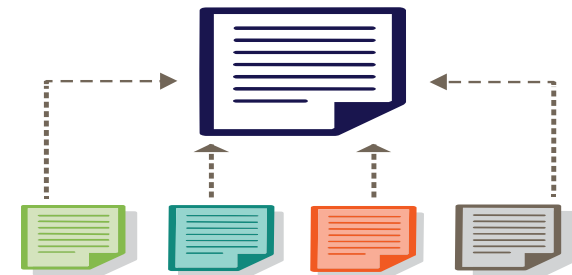


Checkless Payments thru Advice to Debit Account (ADA) **5**

Towards:



Budget Treasury Management System (BTMS)

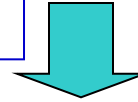


Treasury Single Account (TSA)

Budget Execution Process Flow

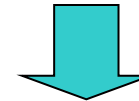
Approval of the Budget

GAA, BESF



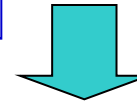
Issuance/Recording of Budget Authorities

(GAARD, SARO, NCA, NCAA, CDC, TRA)



Obligation / Procurement

Goods, Services, Projects



Payment to Contractors/Creditors/Payees thru GSBs

MDS Checks / Advice to Debit Account (ADA)

MDPS and the Expanded MDPS

Payment System	Coverage	MDS	NCA and Validity	Disbursement	Payment to Creditors
MDPS	5 Pilot Departments; External Creditors	Special MDS	As Needed; End of 2nd month	LDDAP-ADA submitted to DBM by NGAs	Automatic Payment upon receipt of NCA and LDDAP-ADA from DBM
Expanded MDPS	All Departments; Both Internal and External Creditors	Regular MDS	Part of Comprehensive Release; End of Quarter	LDDAP-ADA submitted to MDS-GSB by NGAs	Automatic Payment upon receipt of LDDAP-ADA from NGAs

Pertinent Issuances on the Expanded MDPS

DBM Issuances:

- **Circular Letter 2013-16 dated December 23, 2013**
 - Starting **January 1, 2014**, A/Ps due creditors/payees of all NGAs/Ous shall be settled thru Expanded MDPS, whereby direct payment to the creditor's account is effected by MDS-GSBs thru ADA (reflected in the LDDAP-ADA document), chargeable against the NCAs under Regular MDS sub-account (Common Fund) of the NGA.
- **Circular Letter 2013-16A dated February 6, 2014**
 - Deferment of the implementation of the Expanded MDPS to **March 1, 2014**
 - Prescribed the Summary of LDDAP-ADAs Issued and Invalidated ADA Entries (SLIIE), similar to ACIC for MDS checks.
- **Circular Letter 2013-16B dated February 25, 2014**
 - In order to give time to GSB-GSBs to fine tune their IT systems, the continued issuance of MDS Checks was prescribed for:
 - remittance of social insurance premiums to GSIS, PHILHEALTH, HDMF
 - payment to utility companies,
 - one-time small creditors

Checkless Payment System thru Advice to Debit Account

What is an Advice to Debit Account (ADA) ?

ADA is an accountable form equivalent to the MDS check. It is a disbursement document issued by the agency to its MDS servicing bank authorizing the latter to:

1. Debit the agency's MDS account for payments made for A/Ps and retirement benefits
2. Credit the payments directly to the Current or Savings Account of the creditor/payee

Advantages of the use of ADA

Uniform payment system across government



more transparent, accountable & efficient!

Less red tape and paperwork



70% checkless in 2014!

Faster & more predictable processing



payment to creditors in 2 days!
no more outstanding checks!

Supports shift to Treasury Single Account



more predictable NG cash management!

ADA is used to cover :

▪ **Transfers from NG to Local Government Units**

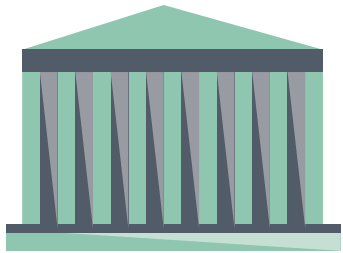
- ❖ IRA
- ❖ Special shares from the proceeds of national taxes
- ❖ Releases from special purpose funds, e.g. Calamity Fund
- ❖ Local Government Support Fund

▪ **Accounts Payable (A/Ps) of National Government Agencies**

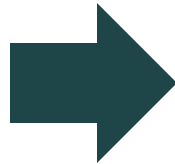
- ❖ External creditors such as contractors, suppliers, etc.
- ❖ Internal creditors such as employees, other government agencies
- ❖ Remittance of social insurance premium contributions to GSIS, HDMF, Philhealth
- ❖ Utility companies, i.e., supplier of petroleum, oils and lubricants, water, power, telephone, internet, communication services

For Starters:

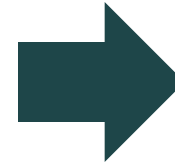
Creditors Open Bank Account w/ GSB



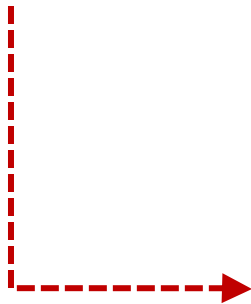
Agency encourages Creditors to open GSB account



Agency issues Letter of Introduction (LOI) to creditors addressed to GSB

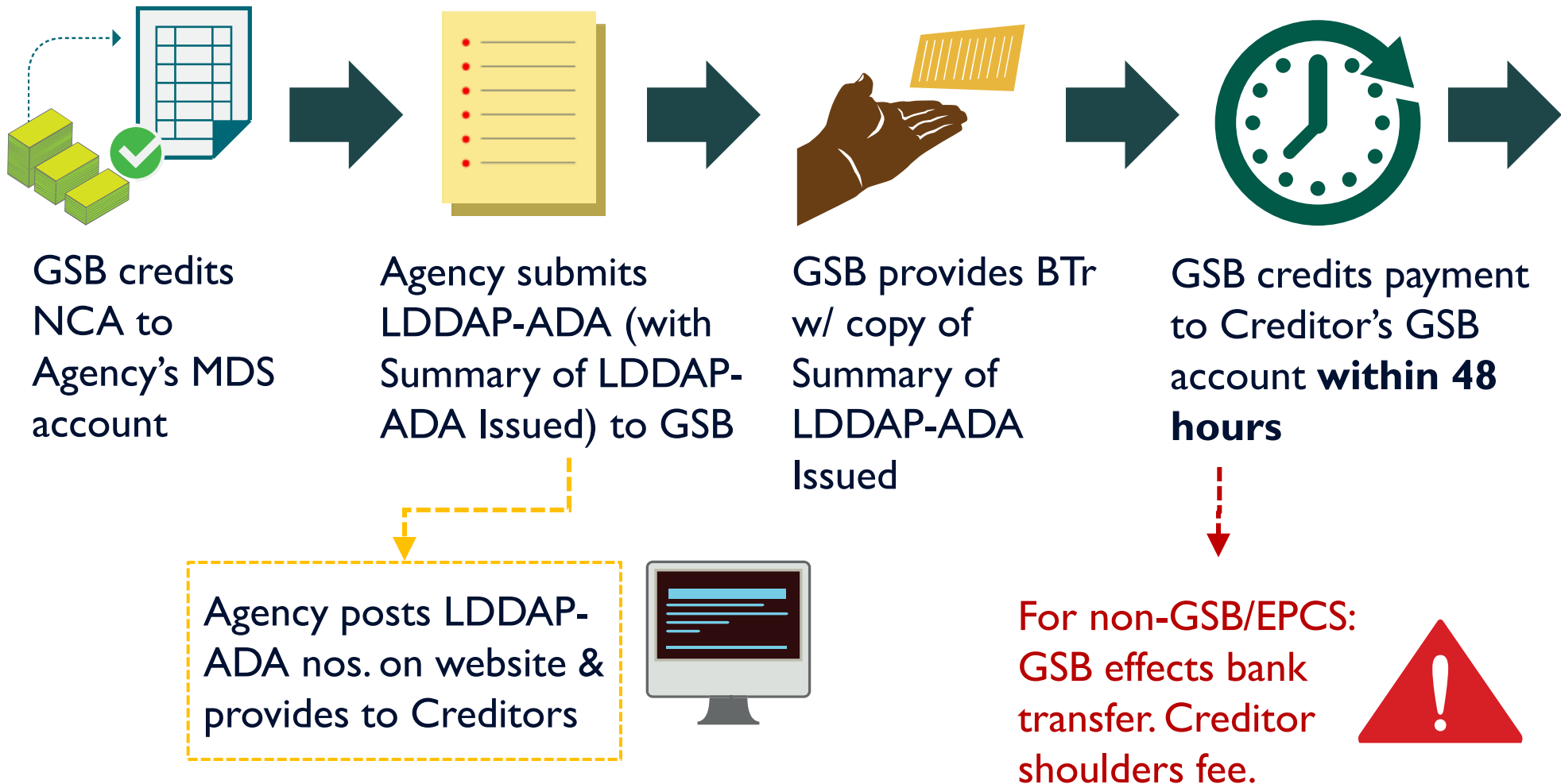


GSB verifies existing account. If no existing account, Agency advises Creditor to open new account



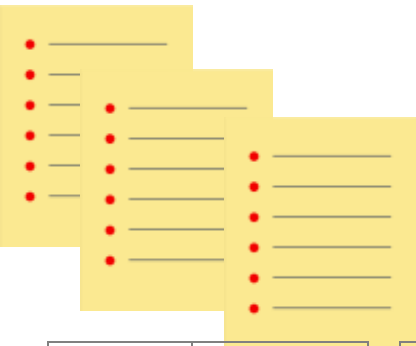
Creditors may opt for bank transfer (EPCS) but will shoulder transfer fees

Expanded MDPS Process Payment of NG A/Ps



ADA for NG Transfers to LGUs

DBM RO prepares the ff:

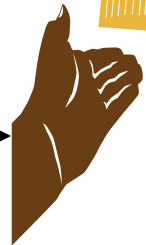


ADA List of LGUs AAIC

2 days before value date

1 day before ADA submission

Notice of ADA Issued



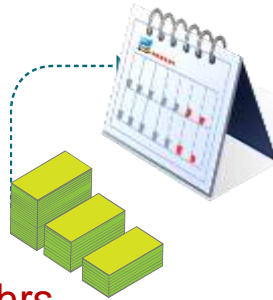
DBM informs LGUs of amount for transfer to their accounts and value date

DBM submits ADA/AAIC to GSB and BTr



GSB:

1. Credits LGUs' account on **value date** 24 hrs to 48 hrs.



2. Advise BTr of total ADA 1 day before value date



BTr replenishes the MDS Seed Fund with GSB

For non-GSB (e.g.PNB): GSB effects bank transfer. PNB shoulders fee.

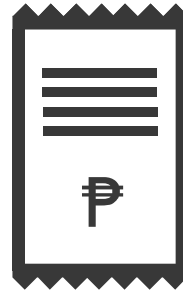
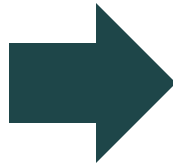


Expanded MDPS Process

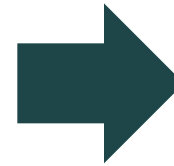
Recording of Payments



GSB provides Agency with duly-validated LDDAP-ADA **on next banking day**



Creditor issues Official Receipt to Agency



Agency records payments in its books



GSB advises Agency of non-payment due to inconsistent information*



STATUS OF Expanded MDPS ADOPTION

76% of cash payments (NCA Utilization) as of June 30, 2015 made using ADA, based on MDS GSBs' Report

- An increase of 5% compared to the **71%** as of end of December 2014
- The 2015 year-end target is **80%** of total NG disbursements

GP 76 of the Proposed 2016 Budget

Section 76.

Electronic Payments in Government Disbursements. Departments, bureaus and offices, and instrumentalities of the National Government, including Constitutional Offices enjoying fiscal autonomy, SUCs and GOCCs shall adopt the use of electronic payment in the disbursement of public funds.

In cases when the adoption of electronic payment is impracticable, agencies shall submit to DBM within 60 days from the effectivity of this Act, the reasons therefor and submit a plan to ensure compliance

Issues	Proposed Measures For Incorporation in the Draft Circular
<p>Use of Validated LDDAP-ADA to comply with COA's requirements as proof of payment, pending receipt of OR</p> <p>Appropriate signatories in the ADA</p> <p>Numbering of ADA should be consistent with other existing numbering systems, e.g., DVs, etc.</p>	<ol style="list-style-type: none"> 1. Inclusion in the ADA of the following minimum requirements to be considered as evidence of receipt of payment: <ul style="list-style-type: none"> ✓ address of the payee/creditor in the ADA; ✓ purpose of payment 2. Specify Cashier as one of the Signatory in the ADA and countersigned by the Authorized Agency Official (similar to the signatories of the MDS Check) 3. ADA should be numbered consecutively numbered in a year (not on a monthly basis) e.g. 01 101 101 – 2015 – 000001 (Fund Source Code – Year - Number Series)

Issues	Proposed Measures For Incorporation in the Draft Circular
Use of SLIIE	For uniformity, the ADA and Checks Issued and Cancelled or ACIC will be used for both modes of payment (ADA and MDS Checks), to standardize preparation and ensure consistency
Deferment in the use of ADA for utility service providers and government social insurance corporations	Inclusion of Utility companies and social insurance corporations in the use of the ADA payment of A/Ps, e.g., GSIS, Philhealth, Maynilad, Manila Water, PLDT.

<p style="text-align: center;">Issues</p>	<p style="text-align: center;">Proposed Measures For Incorporation in the Draft Circular</p>
<p>Circuitous process flow in preparation of ADA</p>	<p>Simplified process: ADA shall be prepared/signed by the Cashier/Head of Cash or Treasury Unit, instead of the Accountant. The document shall be countersigned by the Head of Agency or his authorized representative, to be consistent with signatories for MDS Checks</p>
<p>Need for specific section for bank validation in the ADA for purposes of verification</p>	<p>ADA shall provide a section for MDS-GSB validation, details of actual credits made shall be provided in a separate sheet or at the back of the ADA</p>

Issues	Proposed Measures For Incorporation in the Draft Circular
<p>Creditors/Payees who cannot be conveniently nor practicably paid through ADA</p>	<p>Defining /specifying creditors and transactions to be exempted from using the ADA:</p> <ul style="list-style-type: none"> ✓ Small value creditors/payees with claims during the year costing P10,000 and below, ✓ One-time transaction during the year of a creditor/payee of the agency with including those who are not authorized per company policy to open another bank account in addition to their existing accounts.

I thank
you!

