



Republic of the Philippines
Department of Education
 OFFICE OF THE UNDERSECRETARY FOR FINANCE

005561

MEMORANDUM
 OUF-2021-0503

FOR : UNDERSECRETARIES
 ASSISTANT SECRETARIES
 BUREAU AND SERVICE DIRECTORS
 REGIONAL DIRECTORS
 SCHOOLS DIVISION SUPERINTENDENTS
 PROGRAM MANAGERS
 REGIONAL, DIVISION AND SCHOOL FINANCE OFFICERS
 ALL OTHERS CONCERNED

OFFICE OF THE DIRECTOR IV	
Date and Time Received 7-27-21 1:30	Signature
Date and Time Released 28 JUL 2021 10:15	Signature

FROM : 
 ANNALYN M. SEVILLA
 Undersecretary for Finance


 RAMON FIEL G. ABCEDE
 Assistant Secretary for Finance

SUBJECT : CLARIFICATION FROM THE DEPARTMENT OF BUDGET AND MANAGEMENT ON THE VALIDITY PERIOD OF DELIVERY, INSPECTION, ACCEPTANCE, AND PAYMENT OF AWARDED CONTRACTS CHARGED AGAINST FY 2019 FUNDS

DATE : July 23, 2021

This refers to the response of the Department of Budget and Management (DBM) to DepEd's appeal for the extension of the period for the delivery, inspection, acceptance, and payment of valid obligations charged against FY 2019 Funds.

The appeal is based on DBM National Budget Circular No. 578 (Guidelines on the Release of Funds for FY 2020), which stipulates that all projects sourced from the FY 2019 GAA (Continuing Appropriations), particularly for the "MOOE and other CO items (non-infra), the validity of release and obligations is until December 31, 2020, while the validity of disbursement is until June 30, 2021."

As clarified by the DBM through the attached letter dated July 19, 2021 (Annex A), "projects covered with **awarded contracts** and are already being implemented, payments for delivered goods and services not yet processed by June 30, 2021 **are already considered accounts payable (A/Ps)**. Hence, such can **still be paid after the June 30, 2021 cut-off date**, subject to the limitations set by COA-DBM Joint Circular No. 1, s. 2021" entitled "Guidelines Implementing Executive Order (E.O) No. 87 Directing that All Accounts Payable (A/P) Which Remain Outstanding for Two Years

or More in the Books of National Government Agencies be Reverted to the Accumulated Surplus or Deficit of the General Fund of the National Government” (Annex B).

Please be reminded of the specific provisions that are relevant to the application of this DBM policy which are directly lifted from the COA-DBM JC No.1, s, 2021:

1. General Guidelines

In line with Section 1 of E.O. No. 87, NGAs/GOCCs shall revert all A/Ps for FY 2017 and prior years thereto in the Accumulated Surplus/(Deficit) on or before the end of 2021.

2. Procedural Guidelines

NGAs/GOCCs shall review and analyze all recognized A/Ps in their respective books of accounts. On the other hand, A/Ps for infrastructure capital outlays, including those subsidy releases for GOCCs for infrastructure projects which remained outstanding for two (2) years or more, may not be reverted immediately if the following conditions are present;

- a. **On-going construction projects with at least 15% overall physical accomplishments as of December 31, 2020; and**
- b. **Said on-going construction project shall be completed by December 31, 2021.**

All A/Ps that were reverted to the Accumulated Surplus/(Deficit), pursuant to Section 1 of E.O No. 87, may be considered for payment upon determination, thru administrative processes, of the existence, validity, and legality of the claims, subject to the following procedures:

- a. The claimants shall take the initiative to file their requests with the agency concerned;
- b. The claimants shall submit pertinent documents such as approved contracts; proof that services had been rendered; proof that assets and other properties had been delivered; projects have been completed and accepted by the agency, and other documentation to prove the validity and legitimacy of their claims;
- c. Upon establishment of the proof of validity to settle the claim, the agency head shall request for the issuance of SARO from DBM. The request shall be supported by the following:
 - i. Certified copy of the specific JEV showing that the A/Ps had been reverted to the Accumulated Surplus/ (Deficit); and
 - ii. Justification for the non-payment of the claims during the past years.
- d. The SARO and Notice of Cash Allocation chargeable against the fund/s identified for the purpose shall be released by the DBM, after which, the agency shall process the payment of the claims.
- e. Upon receipt of the SARO by the Agency, the Budget Unit shall furnish the Accounting Unit of the copy thereof for posting/recording in the RRAP.

3. Applicability

The Circular shall have a continuing application. Henceforth, agencies shall pay only those A/Ps which are outstanding for less than two (2) years, except those pertaining to exemptions as mentioned in the Circular.

For guidance and compliance.

Noted by:



LEONOR MAGTOLIS BRIONES
Secretary



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

DMS Reference No.: 2021-BF-0065584

UNDERSECRETARY ANNALYN M. SEVILLA

Undersecretary for Finance
Department of Education
2nd Floor, Rizal Building, DepEd Complex, Meralco Avenue, Pasig City

Dear **Undersecretary Sevilla**:

This refers to your letter appealing for the extension of the delivery, inspection, acceptance and payment of valid obligations charged against the FY 2019 appropriations until December 31, 2021.

Please be informed that projects sourced from the FY 2019 GAA (Continuing Appropriations) are covered by the following guidelines:

- i. For MOOE and other CO items (non-infra), the validity of release and obligations is until December 31, 2020¹, while the validity of disbursement is until June 30, 2021².
- ii. Projects in the early stage of procurement with contracts which have not been awarded to the winning bidders, shall be valid for obligation until December 31, 2020 and shall be valid for payment until June 30, 2021.
- iii. However, for projects covered with awarded contracts and are already being implemented, payments for delivered goods and services not yet processed by June 30, 2021 are already considered accounts payable. Hence, such can **still be paid after the June 30, 2021 cut-off date**, subject to the limitations set by COA-DBM Joint Circular No. 1, s. 2021.

Based on the documents attached to your letter, the DepEd has 74 existing contracts/purchase orders under various implementation stages (on-going, delivery or delivered but payment is still in-process). Given that these projects are covered by contracts, the government is obliged to pay these projects once completed/delivered/accepted.

¹ RA No. 11464 – An Act Extending the Availability of the FY 2019 Appropriations to December 31, 2020 Amending for the Purpose Section 65 of the General Provisions of RA No. 11260, The General Appropriations Act of FY 2019

² National Budget Circular No. 578 – Guidelines on the Release of Funds for FY 2020

We hope this provides you with the necessary guidance in the implementation of your ongoing projects.

Thank you and God Bless.

Very truly yours,

WENDEL E. AVISADO
Secretary





Republic of the Philippines
Department of Education
OFFICE OF THE UNDERSECRETARY FOR FINANCE

June 15, 2021

SECRETARY WENDEL E. AVISADO
Department of Budget and Management
Boncodin Hall, General Solano St. San Miguel, Manila

ATTENTION: DIRECTOR MA. CECILIA M. NARIDO
Officer - in - Charge, Office of the Director IV
Budget and Management Bureau - "F"

Dear Secretary Avisado:

This refers to the execution and payment of contracts charged against the Fiscal Year (FY) 2019 General Appropriations Act (GAA) particularly under Section 3.5 of National Budget Circular No. 578 dated January 6, 2020. The said section provides that pursuant to R.A. No. 11464, *An Act Extending the Availability of the FY 2019 Appropriations to December 31, 2020, amending for the Purpose Section 65 of the General Provisions of R.A. No. 11260 (GAA of FY 2019)*, delivery, inspection, acceptance and payment for Maintenance and Other Operating Expenses (MOOE) and other Capital Outlay (CO) items shall not be later than June 30, 2021 (Sections 3.4.1, 3.4.2 and 3.5).

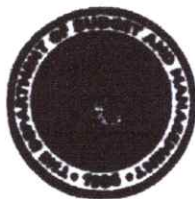
The Department of Education is expressing its concern however on the payment of projects that were affected by the current COVID-19 pandemic. As of June 16, 2021, there are seventy-four (74) existing or "live/active" contracts amounting to approximately Six Billion Pesos (Php6 billion) with ongoing deliveries, inspections, and processing of certificates of acceptance. The production and delivery of these projects were affected by differing and changing community quarantine protocols throughout the country which limited the movement of people and hampered economic activities. As a result, the delivery and payment schedules of these projects/contracts were adjusted accordingly but the adjusted timelines already extended beyond the June 30, 2021 deadline for payment of MOOE and other CO charged against the FY 2019 Funds. Please see Annex A for the detailed status of these projects.

In view of the above-mentioned challenges and constraints, we appeal that delivery, inspection, acceptance, and payment of valid obligations charged against FY 2019 Funds be extended until December 31, 2021.

Thank you and hoping for the usual prompt support and assistance the DBM has been extending to DepEd and other implementing units in the national government.

Very truly yours,


ANNALYN M. SEVILLA
Undersecretary



REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
DEPARTMENT OF BUDGET AND MANAGEMENT

JOINT CIRCULAR NO. 1, s. 2021

March 8, 2021

- TO :** HEADS OF DEPARTMENTS, AGENCIES, STATE UNIVERSITIES AND COLLEGES (SUCs), HEADS OF CONSTITUTIONAL OFFICES ENJOYING FISCAL AUTONOMY AND OTHER OFFICES OF THE NATIONAL GOVERNMENT; HEADS OF GOVERNMENT-OWNED AND/OR CONTROLLED CORPORATIONS (GOCCs); HEADS OF BUDGET AND ACCOUNTING UNITS; COA AUDITORS; AND ALL OTHERS CONCERNED
- SUBJECT :** **GUIDELINES IMPLEMENTING EXECUTIVE ORDER (E.O) NO. 87 DIRECTING THAT ALL ACCOUNTS PAYABLE WHICH REMAIN OUTSTANDING FOR TWO YEARS OR MORE IN THE BOOKS OF NATIONAL GOVERNMENT AGENCIES BE REVERTED TO THE ACCUMULATED SURPLUS OR DEFICIT OF THE GENERAL FUND OF THE NATIONAL GOVERNMENT**

1.0 PURPOSES

- 1.1 To prescribe guidelines and procedures relative to the reversion of accounts payable (A/Ps), pursuant to E.O. No. 87 dated 13 August 2019; and
- 1.2 To provide the guidelines required in the release of funds for legitimate obligations that may arise after the reversion of A/Ps.

2.0 COVERAGE

This Circular covers all Accounts Payable (A/Ps) of National Government Agencies (NGAs) and Government Owned/or Controlled Corporations (GOCCs) maintaining Special Account in the General Fund (SAGF). It shall apply to all funds of NGAs, **except for:** (1) Trust or Fiduciary Funds for as long as the purposes for its creation have not been accomplished; and (2) A/Ps

corresponding to Foreign-Assisted Projects for the duration of the said project.

3.0 DEFINITION OF TERMS

The following terms as defined and used under existing guidelines are hereby reiterated or modified for the purpose of E.O No. 87 and this joint circular:

- 3.1 **Accounts Payable (A/Ps) or Due and Demandable Obligations** – refer to valid and legal obligations of NGAs/GOCCs for which goods/services/projects have been delivered/rendered/completed and accepted regardless of the year when these obligations were incurred.
- 3.2 **Obligation** – a commitment, by a government entity arising from an act of a duly authorized official, which binds the government to the immediate or eventual payment of a sum of money. Obligation may be referred to as a commitment that encompasses possible future liabilities based on current contractual agreement. A government agency is authorized to incur obligations only in the performance of activities which are in pursuit of its functions and programs, authorized in appropriation acts/laws within the limit of the allotment released by the Department of Budget and Management (DBM).
- 3.3 **Not Yet Due and Demandable Obligations** – commitments or obligations incurred by government agencies for which items have not yet been delivered or services not yet rendered.
- 3.4 **Accumulated Surplus/(Deficit)** – refers to the cumulative results of normal and continuous operations of an agency including prior period effects of changes in accounting policy and errors, and other capital adjustments.
- 3.5 **Custodial Funds** – refer to receipts or cash received by any government agency – whether from a private source or another government agency – to fulfill a specific purpose. Custodial receipts include receipts collected as an agent for another entity. These include trust receipts – both from an individual or corporation – that are required to be held by government until the outcome of a court's case or procurement activity is determined, as well as cases where a department or agency holds receipts as a trustee for the fulfillment of some obligations.
- 3.6 **Foreign-Assisted Projects** – Government projects which are wholly or partly financed by foreign loans and/or foreign grants.

4.0 GENERAL GUIDELINES

- 4.1 In line with Section 1 of E.O. No. 87, NGAs/GOCCs shall revert all A/Ps for FY 2017 and prior years thereto in the Accumulated Surplus/(Deficit) on or before the end of 2021.
- 4.2 The following shall apply to FAPs-A/Ps:
 - 4.2.1 Those which have remained outstanding for two (2) years after the completion date of the project per loan/grant documents, shall be reverted to the Accumulated Surplus/(Deficit); and
 - 4.2.2 Those falling under direct payment scheme of loan availment shall not be reverted to the Accumulated Surplus/(Deficit); and instead be reviewed by the agencies concerned for purposes of requesting the issuance of a Non-Cash Availment Authority from the DBM pursuant to the provisions of DBM-COA-DOF Joint Circular No. 2-97 dated March 21, 1997.
- 4.3 All A/Ps that were reverted to the Accumulated Surplus/(Deficit); and which have been validated by competent authorities or by final and executory decisions, to be legitimate claims, shall be charged against the following:
 - 4.3.1 Contingent Fund for the payment of validated claims and determined by DBM as urgent; and/or
 - 4.3.2 The specific budget of the agency concerned under succeeding year's annual General Appropriations Act (GAA).
- 4.4 Item 4.3 hereof shall in no way be construed as authority to revive or validate claims and accounts payable that are already barred by prescription or disallowed by final judicial or administrative determination.
- 4.5 A Special Allotment Release Order (SARO) shall be issued for reverted and legitimate claims for which the actual transactions, i.e., delivery of goods and services, have already been completed. The SARO to be issued shall have the following conditions:
 - 4.5.1 It shall be effective only during the year it is issued;
 - 4.5.2 It shall be treated as a "specific transaction release document" which cannot be re-issued. Thus, if for any reason the SARO for the reverted claim was not obligated during the year it was released, there can be no re-issuance of a SARO for the same purpose; and

4.5.3 It cannot be modified for whatever other purpose.

- 4.6 All government entities concerned shall prepare an inventory of A/Ps incurred in FY 2017 and years prior thereto, as of December 31, 2020. It shall reflect the name of creditor, Obligation Request and Status (ORS) Number, allotment class, funding source, year of incurrence and obligations, etc., and shall be submitted to DBM and COA not later than June 30, 2021. Such inventory shall serve as one of the bases for reversion of the A/P and for the purpose of payment after reversion, subject to agency validation procedures.
- 4.7 All agencies concerned are reminded of their submission of the Financial Accountability Report (FAR) No. 3, before January 31, 2021 which provides an inventory of Not Yet Due and Demandable Obligations (NYDDO) as of December 31, 2020.

5.0 PROCEDURAL GUIDELINES

- 5.1 NGAs/GOCCs shall review and analyze all recognized A/Ps in their respective books of accounts. On the other hand, A/Ps for infrastructure capital outlays, including those subsidy releases for GOCCs for infrastructure projects which remained outstanding for two (2) years or more, may not be reverted immediately if the following conditions are present:

5.1.1 On-going construction projects with at least 15% overall physical accomplishments as of December 31, 2020; and

5.1.2 Said on-going construction project shall be completed by December 31, 2021.

- 5.2 To effect the reversion of A/Ps, a Journal Entry Voucher (JEV) shall be prepared for the reversion to the Accumulated Surplus/(Deficit). A copy of the JEV certified by the Chief Accountant and supported with List of Reverted A/Ps (**Annex A**), shall be submitted to DBM and GAS-COA.

The Accounting Unit shall furnish the Budget Unit copies of JEV for the reversion of A/Ps, to adjust the Registry of Allotments, Obligations and Disbursements (RAOD) and ORS.

The Chief Accountant shall record the reverted A/Ps to the Registry of Reverted Accounts Payable (RRAP) (**Annex B**). The registry shall be maintained by the Accounting Division/Unit.

- 5.3 All A/Ps that were reverted to the Accumulated Surplus/(Deficit), pursuant to Section 1 of E.O No. 87, may be considered for payment upon determination, thru administrative processes, of the existence, validity and legality of the claims, subject to the following procedures:
- 5.3.1 The claimants shall take the initiative to file their requests with the agency concerned;
 - 5.3.2 The claimants shall submit pertinent documents such as: approved contracts; proof that services had been rendered; proof that assets and other properties had been delivered; projects have been completed and accepted by the agency and other documentation to prove the validity and legitimacy of their claims;
 - 5.3.3 Upon establishment of the proof of validity to settle the claim, the agency head shall request for the issuance of SARO from DBM. The request shall be supported by the following:
 - 5.3.3.1 Certified copy of the specific JEV showing that the A/Ps had been reverted to the Accumulated Surplus/(Deficit); and
 - 5.3.3.2 Justification for the non-payment of the claims during the past years.
 - 5.3.4 The SARO and Notice of Cash Allocation chargeable against the fund/s identified for the purpose, shall be released by the DBM after which the agency shall process the payment of the claims.
 - 5.3.5 Upon receipt of the SARO by the Agency, the Budget Unit shall furnish the Accounting Unit of the copy thereof, for posting/recording in the RRAP.

6.0 ACCOUNTING ENTRIES

Accounting entries pertinent to the provisions of this Circular is hereto attached as **Annex C**.

7.0 APPLICABILITY

This Circular shall have a continuing application. Henceforth, agencies shall pay only those A/Ps which are outstanding for less than two (2) years, except those pertaining to exemptions as mentioned in this Circular.

8.0 SANCTIONS

Failure of the officials and employees concerned to comply with the provisions of this Circular shall subject them to penalties imposed under Section 43, Chapter 5, Book VI of E.O. No. 292, the revised Administrative Code of the Philippines.

9.0 REPEALING CLAUSE

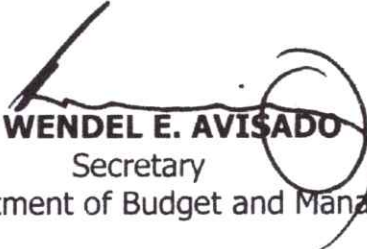
All provisions of existing circulars and other issuances inconsistent with this Circular are hereby rescinded/repealed and/or modified accordingly.


10.0 SAVING CLAUSE

Cases not covered in this Circular shall be referred to the DBM and shall be jointly resolved with COA.

11.0 EFFECTIVITY

This Circular takes effect immediately.


WENDEL E. AVISADO
Secretary
Department of Budget and Management




MICHAEL G. AGUINALDO
Chairperson
Commission on Audit



LIST OF REVERTED ACCOUNTS PAYABLE

Instructions

1. The List of Reverted Accounts Payable shall:
 - a. be prepared by the National Government Agencies (NGAs), and Government Corporations (GCs) maintaining Special Account in the General Fund (SAGF) with Accounts Payable (A/P) which are outstanding as at December 31, 2017;
 - b. be prepared by fund clusters as follows: 01-Regular Agency Fund; 02-Foreign Assisted Projects Fund; 03-Special Account-Locally Funded/ Domestic Grants Fund; 04-Special Account-Foreign Assisted/Foreign Grants Fund; 05-Internally Generated Funds; 06-Business Related Funds; and 07-Trust Receipts;
 - c. be certified correct by the Chief Accountant and approved by the Agency/Entity Head or authorized official as recommended by the Director of Financial Management Service (FMS) or equivalent; and
 - d. be submitted on or before January 31, 2022 to the CDA Auditor, Department of Budget and Management (DBM) and CDA-Government Accountancy Sector (GAS), copy furnished the Budget Division/Unit.

2. Columns 1 to 17 shall reflect the following information:
 - Column 1 - Particulars indicating the names of creditors of the outstanding A/P incurred in fiscal year (FY) 2017 and years prior thereto
 - Column 2 to 4 - ORS/BUIS number, date, and total amount
 - Column 5 to 8 - Amount of A/P per creditor and per allotment class that were incurred in FY 2017
 - Column 9 to 12 - Amount of A/P per creditor and per allotment class that were incurred in FY 2016
 - Column 13 to 16 - Amount of A/P per creditor and per allotment class that were incurred in years prior to FY 2016 (please specify the year the A/Ps were incurred)
 - Column 17 - Total amount of reverted A/P

REGISTRY OF REVERTED ACCOUNTS PAYABLE

Instructions

1. The Registry of Reverted Accounts Payable shall:
 - a. be prepared by the National Government Agencies (NGAs) and Government Corporations (GC's) maintaining Special Account in the General Fund (SAGF) with Accounts Payable (A/P) which are outstanding as at December 31, 2017.
 - b. be maintained by fund clusters as follows: 01-Regular Agency Fund; 02-Foreign Assisted Projects Fund; 03-Special Account-Locally Funded/Domestic Grants Fund; 04-Special Account-Foreign Assisted/Foreign Grants Fund; 05-Internally Generated Funds; 06-Business Related Funds; and 07-Trust Receipts; and
 - c. be maintained by the Accounting Division/Unit for monitoring of the reverted A/P
2. Columns 1 to 19 shall reflect the following information:
 - Column 1 - Particulars indicating the names of creditors of the outstanding A/P incurred in fiscal year (FY) 2017 and years prior thereto
 - Column 2 to 4 - ORS/BURS number, date and total amount
 - Column 5 to 8 - Amount of A/P per creditor and per allotment class that were incurred in FY 2017
 - Column 9 to 12 - Amount of A/P per creditor and per allotment class that were incurred in FY 2016
 - Column 13 to 16 - Amount of A/P per creditor and per allotment class that were incurred in years prior to FY 2016 (please specify the year the A/Ps were incurred)
 - Column 17 - Total amount of reverted A/P
3. Columns 18 to 26 shall reflect the following information:
 - Column 18 to 20 - Special Allotment Release Order (SARO) number, date and total amount
 - Column 21 to 23 - ORS/BURS number, date and total amount
 - Column 24 to 26 - Disbursements/Payments reference number, date and total amount

ILLUSTRATIVE ACCOUNTING ENTRIES ON THE IMPLEMENTATION OF E.O. No. 87 PRESCRIBING THE REVERSION OF ACCOUNTS PAYABLE OUTSTANDING FOR AT LEAST TWO YEARS

Particulars	Source Document	Account Title	Account Code	Debit	Credit
1. REVERSION OF ACCOUNTS PAYABLE (A/P)					
a. Recognition of Reverted A/P	List of Reverted A/P	Accounts Payable <i>To recognize reversion of A/P to the Accumulated Surplus (Deficit) of the General Fund</i>	20101010 30101010	100,000.00	100,000.00
b. Posting of the reverted A/P in the Registry	JEV List of Reverted A/P	Posting of the reverted A/P in the Registry of Reverted Accounts Payable (RRAP)			
2. PAYMENT OF REVERTED A/P					
a. Receipt of SARO from the DBM sourced from Contingent Fund/Specific budget of the Agency	SARO	Posting to the appropriate RAPAI and RAOD by the Budget Unit Posting to the RRAP by the Accounting Division Unit			
b. Incurrence of Obligations	ORS	Posting of ORS in the RAOD by the Budget Unit Posting to the RRAP by the Accounting Division Unit			
c. Receipt of the Notice of Cash Allocation	NCA	Cash-Modified Disbursement System (MDS), Regular Subsidy from National Government <i>To recognize receipt of NCA from DBM</i>	10104040 40301010	100,000.00	100,000.00
d. Recognition of goods received/services rendered	IAR Certificate of Completion/ Progress Report DV other SIDs	Appropriate expense or asset Accounts Payable <i>To set up the validated A/P previously reverted</i>	20101010	100,000.00	100,000.00
e. Payment of reverted A/P	ORS DV other SIDs	Accounts Payable Cash-Modified Disbursement System (MDS), Regular <i>To recognize payment of reverted A/P</i>	20101010 10104040	100,000.00	100,000.00