REPUBLICA NG PILIPINAS
KAGAWARAN NG PANANLAPI
KAWANIHAN NG RENTAS INTERNAS

August 9, 2004

REVENUE MEMORANDUM CIRCULAR No. 59 - 2004

SUBJECT: Circularizing Department of Budget & Management (DBM) and Department of Education (DepEd) Joint Circular No. 2004-1 Implementing the Direct Release of Funds to the Regional Offices and Implementing Units (Division/High School)

TO: All Internal Revenue Officers and Others Concerned

For the information and guidance of the taxpaying public and all internal revenue officers and others, concerned, the DBM - DepEd Joint Circular 2004-1 dated January 1, 2004, providing for the implementing guidelines in the direct release of funds by DBM to the implementing units of DepEd (division/high school) which result to their BIR registration and remittance of taxes withheld through Tax Remittance Advice (TRA) for funds released by DBM or Check (NON-TRA) for foreign assisted funds is hereby circularized as follows:

"Republic of the Philippines
DEPARTMENT OF BUDGET AND MANAGEMENT

and

DEPARTMENT OF EDUCATION

JOINT CIRCULAR NO. 2001 – 1
January 1, 2004

TO : ALL HEADS OF DEPARTMENTS, CENTERS, BUREAUS, REGIONAL DIRECTORS, SCHOOLS DIVISION SUPERINTENDENTS, SECONDARY SCHOOL PRINCIPALS CHIEF OF FINANCIAL AND MANAGEMENT SERVICES, BUDGET OFFICERS, CHIEF ACCOUNTANTS / HEADS OF ACCOUNTING UNITS AND ALL OTHERS CONCERNED

SUBJECT : GUIDELINES ON THE DIRECT RELEASE OF FUNDS TO DepEd – REGIONAL OFFICES AND IMPLEMENTING UNITS

1.0 PURPOSE

1.1 *To prescribed new and reiterate existing budgetary guidelines on the direct release of funds to the Department of Education (DepEd)-Regional Offices (Ros), Schools Division Offices (SDOs) and Secondary Schools (SSs).*

1.2 *To Delineate the responsibilities of DBM-Central Office (CO) and ROs as well as DepEd-CO, ROs, SDOs and SSs regarding the direct release of funds.*

1.3 *To improve funds flow in order to ensure the timely payment of personnel benefits and the implementation of projects and activities of DepEd.*

1.4 *To closely adhere to the provisions of Section 10, RA 9155 (Governance of Basic Education Act of 2001) which provides that the appropriations intended for the regional and field offices (elementary/secondary schools and schools divisions) are to be allocated directly and released immediately by the DBM to the said offices.*

2.0 COVERAGE

2.1 *This joint Circular shall cover release of funds to DepEd-CO, ROs, SDOs, and SSs for regular operating requirements including Retirement and Life Insurance Premiums (RLIP), locally-funded projects (LFPs), foreign-assisted projects (FAPs) and the nationwide/regionwide lump-sum appropriations as provided in the General Appropriations Act (GAA).*

3.0 DEFINITION OF TERMS

3.1 *For purposes of this Circular, the following terms shall be construed to mean:*

3.1.1 ***Direct Release of Funds*** *– the decentralized system of Releasing the allotment, cash allocation and other fund-related documents to the DepEd-ROs and Implementing Units (IUs) by DBM-CO and DBM-ROs, as the case may be, as delineated in this Circular.*

3.1.2 Financial Staff – *the DepEd employees in the SDOs or SSs who are appointed on a temporary or permanent basis as Accountant/Senior Bookkeeper and Cashier/Disbursing Officer/Cash Clerk.*

3.1.3 Implementing Units (IUs) *– shall refer to the following:*

3.1.3.1 Schools Division Office (SDO) *– the sections and units comprising the SDO-Proper and all elementary schools that are functionally and administratively supervised by it including SSs without financial staff which it is assigned to assist in terms of budgeting, accounting and cashiering, as determined by the DepEd Secretary.*

3.1.3.2 Secondary School with Financial Staff *– a SS with a duly appointed Accountant/Bookkeeper and Cashier/Disbursing Officer/Cash Clerk on a temporary or permanent status who draws his salary from DepEd and is assigned to handle the accounting and cashiering functions.*

3.1.3.3 Lead School *– a SS with financial staff which has been specially assigned to assist a geographically contiguous cluster of SSs without financial staff, hereinafter referred to as clustered schools, in terms of budgeting, accounting and cashiering as determined by the DepEd Secretary. The lead school shall handle a minimum of one (1) and a maximum of four (4) clustered schools.*

3.1.4 DepEd-Central Office (CO) *– the sections/units/offices in the DepEd-OSEC (Proper) and the staff bureaus and centers, which implement the regular activities, LFPs and FAPs of DepEd.*

3.1.5 Centrally Managed Items (CMIs) *– lump-sum funds other than those treated as nationwide lump-sum, lodged under DepEd-CO, intended for activities and projects to be implemented by DepEd-ROs and IUs. Allotment is released by DBM-CO to DepEd-CO and transferred to DepEd-ROs and IUs through Sub-Allotment Release Order (Sub-ARO). The cash requirement is released by DBM-ROs*

3.1.6 Nationwide lump-sum *– appropriations indicated as such in the GAA which are used as funding source for creation of positions in thee elementary/secondary schools and SDOs* *and for newly legislated/established high schools of DepEd, among others.*

3.1.7 ***Regular lump-sum*** *– appropriations indicated as such in the GAA which are used as funding source for salary adjustments based on approved Equivalent Record Forms, salary differential to convert teaching positions to Master Teacher positions, reclassification of positions and repair and maintenance of school buildings, among others.*

3.1.8 ***Regular Operating Requirement*** *– the Personal Services (PS), Maintenance and Other Operating Expenses (MOOE) and Capital Outlays component of activities, which DepEd performs in the conduct of its day-today operations.*

3.1.9 ***Regional Payroll Services Unit (RPSU)*** *– the DepEd-RO unit which shall take charge of the preparation of payroll and other related documents for the SDOs including the elementary schools and SSs without financial staff under the SDOs coverage. The unit shall likewise take charge of the preparation of the continuous form checks (CFC) of SDO personnel who opt to receive their salary and allowances as such.*

3.1.10 ***Allotment Release Order*** *– a document issued by DBM, either in the form of an Agency Budget Matrix (ABM) or Special Allotment Release Order (SARO) authorizing the specific offices/agencies to incur obligations not exceeding a given amount during a specified period for the purpose indicated.*

3.1.11 ***Agency Budget Matrix (ABM)*** *– a document prepared by the DBM in coordination with the office/agency which shows the release of funds by agency, program/activity/project, source of appropriation, fund code, allotment class, the amount to be released comprehensively and the need for clearance or authority prior to the release of funds. The approval of the ABM shall authorize the office/agency to incur obligations within the indicated amount comprehensively released.*

3.1.12 ***Sub-Allotment Release Order (Sub-ARO)*** *– an internal document issued by DepEd-CO or RO transferring a portion of available allotment to DepEd-RO or IU, respectively. Said document authorizes the concerned DepEd-RO or IU to incur obligations not exceeding a given amount during a* *specified period for the purpose indicated. This document shall replace the Letter Advice Authority (LAA) issued by DepEd-RO to IUs.*

3.1.13 Notice of Transfer of Allocation (NTA) *– a scheme whereby the department/agency shall instruct their Modified Disbursement Scheme-Government Servicing Bank (MDS-GSB) to transfer a specific amount out of their Notice of Cash Allocation (NCA) available book balance to the MDS accounts of the agencies within the same department, receiving NCA directly from DBM. The individual MDS-GSB of the recipient agencies shall be the same MDS-GSB as that used by the transferring department/agency.*

3.1.14 Trust Liabilities *– receipts of collections covering performance/bidders/bail bonds, collections made on behalf of other agencies, inter-agency transferred funds and service fees.*

4.0 GENERAL GUIDELINES

4.1 *Starting FY 2004, the direct release of funds shall be implemented in DepEd. Allotment and cash allocation shall be released to DepEd-CO, ROs as well as IUs. As basis for the direct release of funds to ROs and IUs, DepEd-CO, upon the effectivity of this Circular, shall submit to DBM-CO and RO concerned the master list of existing IUs.*

4.1.1 *The masterlist shall indicate the following data:*

a) Name of SDOs; SSs without financial staff under the SDO; SSs with financial staff; Lead Schools and clustered schools under it.

b) Location of the SDO/School

c) Head of SDO/School

d) MDS-GSB/branch office

e) MDS/Current Account Numbers and purpose

f) Name of signing authority

4.1.2 *A separate masterlist of elementary schools belonging to each SDO, indicating the above-mentioned applicable data shall likewise be submitted to DBM-CO and RO concerned.*

4.1.3 *Any subsequent modification of the masterlist shall be formally communicated by DepEd-CO to DBM-CO and RO concerned.*

4.2 *DBM-CO shall release to DepEd-CO following:*

4.2.1 *Allotment and Cash Allocation for: regular operating requirements including RLIP of DepEd –OSEC (Proper), Staff Bureaus and Centers, LFPs and FAPs; and terminal leave/retirement gratuity (TL/RG) requirements of DepEd-CO.*

4.2.2 *Allotment for nationwide lump-sum and CMIs*

4.2.3 *Cash Allocation of DepEd-CO for:*

4.2.3.1 *Accounts Payable (A/P)-Prior Years;*

4.2.3.2 *Trust Liabilities; and*

4.2.3.3 *Share of DepEd-CO from the nationwide lump-sum and CMIs, if any.*

4.3 *The DBM-RO shall release to DepEd-ROs and/or IUs the following:*

4.3.1 *Allotment and Cash Allocation for regular operating requirements including RLIP, regionwide lump-sum appropriations and TL/RG requirements of DepEd-ROs and IUs*

4.3.2 *Cash Allocation of DepEd-RO and/or IUs for:*

4.3.2.1 *A/P- Prior Yrears;*

4.3.2.2 *Trust Liabilities; and*

4.3.2.3 *Share of DepEd-ROs and IUs from the nationwide lump-sum and CMIs.*

4.4 *DepEd-CO and ROs shall furnish DBM-CO and RO concerned a report of the transfer of allotment through Sub-AROs which shall be the basis in the determination of additional cash allocation to be released to DepEd-ROs and IUs.*

4.5 *The use of funding checks to cover Sub-AROs shall be discontinued.*

4.6 *All existing Cash-in-Bank balances, net of outstanding checks, shall be remitted to the Bureau of the Treasury (BTR) in accordance with National Budget Circular (NBC) No. 488 dated May 22, 2003. A* *maximum of six (6) months from the date of the latest outstanding check issued shall be allowed after which the remaining Cash-in-Bank balances shall be close.*

4.7 *The RPSU of each DepEd-RO shall prepare the payroll and other related documents for the teachers and other personnel of the SDO including those in the elementary schools and SSs without financial staff under it.*

4.7.1 *Payment of salaries and allowances of teachers and other personnel in the SDO, elementary schools and SSs without financial staff under the coverage of SDOs shall be either through the use of continuous form checks (CFC) or through Automated Teller Machines (ATMs).*

4.7.2 *The salaries and allowances of newly-hired teachers and other staff in the SDO, elementary schools and SSs without financial staff that are not yet included in the payroll prepared by the RPSU shall be paid through the MDS check.*

4.8 *Each SS with financial staff and each lead school shall prepare the payroll and other related documents for their teachers and other personnel including those in the clustered schools under the coverage of the lead school. The salaries and allowances of teachers and other personnel in the SS with financial staff and lead schools including the clustered schools under it shall be paid through MDS check or ATM.*

4.9 *Teachers and other personnel in the DepEd-IUs who opt to be paid through the ATM shall open an ATM account with the eligible commercial and/or government banks that enroll with DepEd for ATM servicing. They shall submit to the IUs concerned their ATM account number/bank branch where their salaries and allowances shall be credited. Once the salaries and allowances are credited to the individual employee account, the amount shall now be considered as part of their private account in the bank.*

4.9.1 *The NCA covering salaries and allowances of personnel using the ATM scheme, however, shall continue to be released to the MDS-GSB of DepEd-IUs.*

4.10 *The DepEd-CO, RO and IUs that manage their own payroll shall directly remit to the GSIS, PAG-IBIG, PHIC and ECC branch offices and other authorized institutions through MDS check the government and personal share of their employees for premiums/contributions including payment for personal loans.*

4.11 *The withholding taxes shall be transmitted by DepEd-CO, RO and IUs that manage their own payroll to the nearest Bureau of Internal Revenue (BIR) – Revenue District Office (RDO) through a Tax Remittance Advice (TRA) supported by the applicable Withholding Tax Returns (WTR) consistent with the provisions of the Department of Finance and the Department of Budget and Management Joint Circular No. 1-2000 A dated July 31, 2001.*

4.12 *The premiums/contributions including payment for personal loans and withholding taxes for PS of all SDO personnel, who are paid either thru CFC or ATM, shall be remitted/transmitted by the DepEd-RO to the respective government agencies/financial institutions and other authorized private lending institutions. The withholding taxes for MOOE and Capital Outlays of SDOs, if any, shall be transmitted by the SDO to the nearest BIR-RDO, following the same procedure as in Item 4.11.*

4.13 *DepEd-ROs and IUs shall open the necessary MDS and current accounts with the MDS-GSB and inform the DBM-RO concerned of the new MDS and current account numbers.*

4.13.1 *DepEd-ROs shall maintain separate MDS accounts for: regular operating requirements including RLIP of RO (Proper); TL/RG benefits and A/P-Prior Years; and Trust Liabilties.*

DepEd-ROs shall also maintain only one (1) current account corresponding to the net pay for CFC of SDO personnel who opt to receive their salaries and allowances as such and the premiums/contributions including payment for personal loans of all SDO personnel who are paid either thru CFC or ATM.

4.13.2 *SDOs shall maintain separate MDS accounts for: PS including RLIP; MOOE and Capital Outlays; TL/RG benefits and A/P-Prior Years; and Trust Liabilities. These accounts shall cover transactions of the SDO (Proper), elementary schools and SSs without FS under the SDO coverage.*

4.13.3 *SSs with financial staff shall maintain separate MDS accounts for: PS including RLIP; MOOE and Capital Outlays; TL/RG benefits and A/P-Prior Years; and Trust Liabilities.*

4.13.4 *Each lead school shall maintain separate MDS accounts for: PS including RLIP; MOOE and Capital Outlays; TL/RG benefits and A/P-Prior Years; and Trust Liabilities. These* *accounts shall cover transactions of the lead school and clustered schools under it.*

4.13.5 *Each DepEd-RO and/or IU concerned shall maintain a separate MDS account for each FAP.*

4.14 *Heads of elementary schools, SSs without financial staff and clustered schools shall draw cash advances from their supervising/directing SDO or lead school, as the case may be for their MOOE, and Capital Outlays requirement, which shall be subject to liquidation.*

4.15 *Trust receipts, classified as such, per COA-DBM-DOF Joint Circular No. 1-97 dated January 2, 1997, shall be remitted by DepEd-CO, RO or IUs to BTR thru the MDS-GSB under a separate MDS account. The amount remitted to the BTR shall be considered as Trust Liabilities of DepEd and letter-requests with the necessary supporting documents shall be submitted by DepEd-CO, RO or IUs for issuance of NCA by DBM-CO or RO concerned.*

4.16 *Requests for release/realignment of funds, utilization of savings and other budgetary matters by DepEd-CO, RO and IUs shall be endorsed by DepEd officials in accordance with the guidelines to be issued by DepEd for the purpose.*

4.17 *An agency code shall be issued to each IU based on the iformation provided under Section 4.1 of this Circular.*

4.18 *All pertinent provisions of existing circulars on FAPs, A/P-Prior Years, Trust Accounts and TL/RG shall continue to be adopted.*

5.0 PROCEDURAL GUIDELINES

5.1 *Upon approval of the General Appropriations Act (GAA), DepEd-CO shall submit to DBM-CO, copy furnished DBM-ROs, an overall financial plan showing the allocation of DepEd-CO, ROs and IUs, the sum of which shall be equal to the total appropriation of DepEd as appearing in the GAA. A companion financial plan detailing the Automatic Appropriation allocation for RLIP shall likewise be submitted.*

5.1.1 *These financial plans shall be used by DBM-CO and RO in the preparation of the Agency Budget Matrix (ABM) and cash program of DepEd-CO and RO/IUs in accordance with DBM guidelines issued for the purpose.*

5.2 *The allotment for the nationwide lump-sum and CMIs shall be released by DBM-CO to DepEd-CO either through the ABM or SARO in accordance with existing DBM guidelines. DepEd-CO shall sub-allot it to the concerned RO and IU through a Sub-ARO and the corresponding cash allocation shall be issued by DBM-RO to DepEd-RO/IUs based on the furnished copy of Sub-ARO.*

5.3 *The allotment for the region wide lump-sum appropriations shall, in accordance with existing DBM guidelines, be released either through ABM or SARO by DBM-ROs to DepEd-ROs, which shall sub-allot it to the IUs. The corresponding cash allocation shall be released by DBM-ROs.*

5.4 *The allotment and cash allocation for FAPs shall be released by DBM-CO to DepEd-CO, RO or IU as the case may be. If the allotment is released to DepEd-CO, it shall be transferred by DepEd-CO to DepEd-RO and/or IU through a Sub-ARO. The corresponding cash allocation if released through DepEd-CO shall be transferred to DepEd-RO and/or IU through the NTA scheme.*

5.5 *The allotment and cash allocation for regular operating requirements, including RLIP and TL/RG of DepEd IUs shall be released directly by the DBM-ROs as delineated hereunder:*

5.5.1 *PS, MOOE, Capital Outlays and TL/RG of SDOs, inclusive of the elementary schools and the supervised SSs without financial staff, directly to these SDOs.*

5.5.2 *PS, MOOE, Capital Outlays and TL/RG of SSs with financial staff, directly to these SSs;*

5.5.3 *PS, MOOE, Capital Outlays and TL/RG of lead schools inclusive of the clustered schools under their coverage, directly to these lead schools.*

5.6 *The payroll and other related documents for teachers and other personnel of the SDO (Proper) and those in the elementary schools and SSs without FS under the SDO shall be prepared by the RPSU based on the Daily Time Record/Form 7, Notice of Salary Adjustments and other necessary records to be submitted by the SDOs. Separate payroll and other related documents shall be prepared by the RPSU for those opting to receive their salaries and allowances through CFC and those opting to receive their salaries and allowances through ATM. The payroll and other related documents prepared by the RPSU shall be immediately sent to the SDOs concerned.*

5.7 *The SDOs, based on the payroll prepared by the RPSU, shall transfer from their MDS account for PS thru MDS check to the current account maintained by DepEd-ROs, the amount corresponding to the following:*

5.7.1 *Net pay of SDO personnel who opt to receive their salaries Allowances thru CFC; and*

5.7.2 *Authorized deductions from salaries of all SDO personnel who are paid either thru CFC or ATM pertaining to GSIS, PAG-IBIG, PHIC and ECC as well as for obligations owed to private lending institutions and insurance companies.*

Upon receipt by the DepEd-RO of the MDS check from the SDOs, the CFC prepared by the RPSU shall be immediately sent to the SDOs for distribution to the concerned personnel. The amount corresponding to the authorized deductions shall be immediately remitted by the DepEd-ROs to the respective government agencies/ financial institutions and other authorized private lending institutions.

5.8 *The SDO personnel who opt to receive their salaries and allowances thru ATM shall be paid directly by the SDO based on the payroll prepared by the RPSU. The SDO shall transfer the amount corresponding to the net pay of these personnel, from its MDS Account for PS to the individual ATM account of the employees maintained at any government or private bank of their choice. However, the choice of banks for ATM payroll servicing is limited to the eligible commercial and/or government banks that enroll with DepEd for ATM servicing.*

5.9 *The SDO shall process other PS requirements of its personnel such as salary differentials, TL/RG, and others, which are not included in the payroll computation by RPSU and pay it through ATM or MDS check. The premiums/contributions including withholding taxes of the SDO personnel shall be directly remitted by the SDO to the respective government agencies/financial institutions or private lending institutions.*

5.10 *Disbursements for MOOE and CO by SDOs, SSs with financial staff, and lead schools shall be through MDS check, while those in the elementary schools, SSs without financial staff and clustered schools shall be through cash advance, subject to liquidation.*

5.11 *Heads of elementary schools, SS without financial staff and clustered schools shall be informed of their allotment and/or cash allocation for MOOE and CO.*

5.12 *DepEd-CO, ROs and IUs shall provide the DBM-CO and/or ROs with the Quarterly Performance Targets using the Major Final Outputs (MFOs) and Performance Indicators (PIs) formulated in accordance with the guidelines and formats periodically issued by DBM for the purpose.*

5.13 *The necessary accounting entries in the books of DepEd shall be in accordance with the New Government Accounting System.*

6.0 REPORTING REQUIREMENTS

6.1 *The following accountability reports shall be submitted by DepEd-CO, ROs and IUs to DBM-CO or RO to ensure that budgetary requests are acted upon on a timely and regular basis:*

	Report	***Due Date***
6.1.1	*Summary List of Checks Issued and Cancelled (SLCIC), per MDS Account*	*On or before the 10th day of the following month*
6.1.2	*Statement of Allotment, Obligations and Balances (SAOB)*	*- do -*
6.1.3	*Monthly Statement of Charges to Accounts Payable*	*- do -*
6.1.4	*Quarterly Report of Actual Income*	*On or before the 20th day of the month following the quarter reported*
6.1.5	*Quarterly Financial Report of Operations*	*- do -*
6.1.6	*Quarterly Physical Report of Operations*	*- do -*
6.1.7	*Pre-Closing and Post*	*On or before*

	Closing Trial Balance (TB) of the immediately preceding year	*February 28 of the current year*
6.1.8	*Statement of Accounts Payable*	*- do -*

The DBM policy of “no report, no release” shall be strictly observed.

6.2 *Each IU shall furnish DepEd-RO a copy of the approved ABM, SARO and Advice of Notice of Cash Allocation Issued (ANCAI). Likewise, each IU shall furnish DepEd-RO the accountability reports submitted to DBM-RO concerned.*

6.3 *DepEd-ROs are required to annually consolidate the SAOB and Pre-Closing and Post-Closing Trial Balance of the RO and IUs, to be submitted to DepEd-CO, copy furnished DBM-ROs. The DepEd-CO shall prepare an overall summary of the CO and RO reports as of year-end for submission to DBM-CO for planning, budgeting and other purposes.*

7.0 PENALTY CLAUSE

7.1 *The administrative sanctions provided under Sec. 57, Chapter VI, Book VI of E.O. 292 as well as withholding of actions on agency requests for release of funds shall be imposed, pending compliance to the provisions of this circular and pending submission of accountability reports within the due dates prescribed in Section 6.1 of this Circular.*

8.0 SAVING CLAUSE

8.1 *Nothing in the above-mentioned delegated responsibilities to DBM-ROs and DepEd-ROs and IUs thru the respective heads of offices shall be construed as a limitations on the powers of the DBM and DepEd Secretaries to review/overrule any action taken by the concerned Regional Director, Schools Division Superintendent and Secondary School Principal.*

9.0 REPEALING CLAUSE

9.1 *The Provisions of any Circular, Order and other issuances, which are inconsistent with this Circular, are hereby rescinded, repealed and/or modified accordingly. Cases not covered by the provisions of this Circular shall be referred to DBM and DepEd-Cos and ROs, as the case may be, for appropriate action.*

10.0 EFFECTIVITY

This Circular shall take effect January 1, 2004.

(Original Signed)
EMILIA T. BONCODIN
Secretary
Department of Budget and Management

(Original Signed)
EDILBERTO C. DE JESUS
Secretary
Department of Education"

All internal Revenue Officers and others concerned are requested to give this Circular as wide publicity as possible.

(Original Signed)
GUILLERMO L. PARAYNO, Jr.
Commissioner of Internal Revenue

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