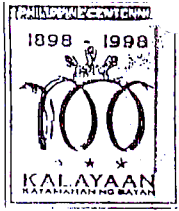




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MEMORANDUM CIRCULAR

No. 36  
Series of 2003

SUBJECT : GUIDELINES ON THE APPROVAL, TRANSFER, MONITORING AND REPORTING OF GOVERNMENT FUNDS RELEASED TO NON-GOVERNMENT ORGANIZATIONS (NGOs) and PEOPLE'S ORGANIZATIONS

The Department of Social Welfare and Development is the primary agency of the government that provides assistance to the needy and marginalized sectors of the society. It extends assistance to the clients in partnership with Non-government Organizations/People's Organizations by virtue of fund augmentation or grants specifically recognized under Section 24 of RA 4373 as amended.

In order to regulate funds extended to partner agencies a systemic mechanism is hereby institutionalized which will cover phases in fund augmentation starting from the approval, transfer, monitoring and the reporting of fund releases specifically outlined in the following guidelines.

**GENERAL GUIDELINES**

A.) No funds shall be released by any DSWD Unit/Office intended for the utilization of partner agencies (Peoples Organization and Non-government Organization) without first complying with the specific requirements provided under **COA Circular No. 96-003!**

B.) Duties and Responsibilities of Concerned Units.

**1.) The Finance Service**

a.) Review the draft Memorandum of Agreement (MOA) between the DSWD and NGOs, recommend approval/revisions thereof to ensure that the pertinent provisions of COA Circular 96-003 dated 27 February 1996 on guidelines on funds entrusted to NGOs including tranching of releases are stipulated in the MOA, accountability mechanisms and sanctions are in place, liquidation and reporting requirements are clearly provided, among others.

b.) Upon receipt of the approved and notarized MOA and Allotment Obligations Slip, the Budget Division shall approve/disapprove the requested obligations

as indicated in the MOA and forward the same to Accounting Division for issuance of the Certificate of Availability of Funds (CAF).

- c.) Pursuant to COA Circular No. 83-333 dated 12 January 1983, the Accounting Division shall transmit/submit the perfected contract to the Office of the COA Auditor.
- d.) The Accounting Division shall furnish a copy of Memorandum of Agreement (MOA), Allotment Obligation Sheet (ALOPS) and the Certificate of Availability of Fund (CAF) to the concerned Bureau/Office/Unit which shall prepare the Disbursement Voucher for the purpose together with the complete supporting documents.
- e.) The Accounting Division and Cash Division shall process Disbursement Voucher and issue funding check for the purpose.
- f.) For documentation purposes, the Accounting Division/Unit shall ensure that the following supporting documents are attached to the Disbursement Voucher for the First release:
  - f.1) SEC Registration
  - f.2) NGO Accreditation
  - f.3) Financial Statements for at least three (3) years operations.
  - f.4) If the NGO has been in operation for less than three (3) years, proof that it had previously implemented similar projects and a certificate from LGU concerned attesting to the credibility and capability of the officers and staff of the NGO/PO shall be submitted in lieu of financial statement
- g.) The Accounting Division/Unit shall first review/evaluate the documents/liquidation report submitted by the NGOs on the previous funds of availed before the release of the succeeding or final tranche.

- h.) The documents to be submitted are as follows:
- h.1) Audited Financial Statement for the amount transferred by an Independent CPA (if the amount transferred is less than P100,000.00; Statement of Receipts and Disbursements only with the attachments of all receipts).
  - h.2) Certificate of Project Acceptance by the Beneficiaries.
  - h.3) Certificate of Project Completion (NGO)
  - h.4) Certificate of Project Completion (Concerned Bureau/Office/Units attesting the project completion by the NGO).
- i.) The transfer of funds to NGOs and their subsequent liquidation shall be recorded in the Books of the Department. (Guidelines on accounting treatment/entries on these accounts shall be issued by the Accounting Division).
- j.) Ten (10) days after the sixty days (60) deadline for the NGO to submit the liquidation report as stipulated in the MOA, the Accounting Division shall issue a memorandum to concerned Bureau/Office/Units informing them of the delinquency of said intermediary on the required reports.
- k.) The Financial Service through the Accounting division shall submit Statement of Cash Advances to NGOs/POs to the Office of the Undersecretary for General Administration and Support Service (GASS), copy furnished the concerned bureaus/offices/units
- l.) If no report was submitted by the NGO after one month\* from the deadline set, the Undersecretary for General Administration and Support Services (GASS) through the Accounting Division, Finance Service shall send a letter to the NGO concerned requiring them of their reporting responsibility of the cash advance received from DSWD copy furnished the concerned bureaus/offices/units and the Office of the COA Resident Auditor.

2.) **The Standards Bureau and Regional Counterpart**

Upon request by the concerned DSWD Bureau/Service/Unit, the Standards Bureau or its regional counterpart shall:

- a.) Provide the concerned DSWD Bureau/Service/Office/Unit, a list of registered, licensed and accredited POs and NGOs as reference in identifying qualified agencies.
- b.) Conduct Assessment to POs/NGOs for purposes of licensing and accreditation and issue corresponding certificate to those who meet the requirements or minimum standards;
- c.) Conduct validation or fact-finding investigation of administrative cases filed against NGOs and POs relative to unliquidated cash advances pursuant to A.O. 140 Series of 2002;
- d.) Endorse to the Finance and Legal Service the draft MOA between the Department and the NGOs/POs for their review whether it complies with COA Rule 96-003 or if not, provide appropriate recommendations;
- e.) Recommend to the Secretary or his/her authorized representative the approval of the MOA to be executed between the Department and the NGOs/POs after it has been reviewed and favorably endorsed by the Finance and Legal Service.

3.) **Concerned DSWD Bureau/Service/Office/ Unit (Program Management Bureau, Social Technology Bureau, External Affairs Unit, Office of the Secretary, etc.)**

Concerned DSWD Bureau/ Service/ Office/ Unit or its regional counterpart that endorses an NGO/PO for fund augmentation shall:

- a.) act as a signatory in the MOA to establish the co-proponent partnership and shall be the primary accountable unit to look into the consummation of the provisions of the MOA;
- b.) require the proponent NGO/PO to:
  - b.) submit to the Finance Service the supporting documents and other reportorial requirements for review, documentation, monitoring and other purposes;

- b.2. after the termination of the project, to submit to the Accounting Division/Unit a comprehensive liquidation report of the cash advance received, for review, documentation and record purposes.
- b.3 terminal report as basis for further research, policy and program review/development.
- d.) monitor and report to the Secretary thru the cluster head status of the implementation of the project to ensure compliance with the MOA;

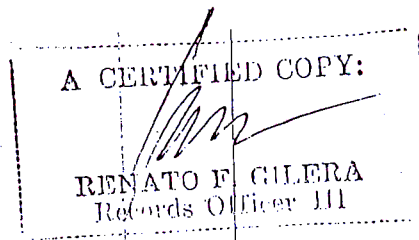
4.) **Legal Service**

- a.) Review MOA to be executed between the Department and the NGOs/POs;
- b.) Institute appropriate actions against the NGO/PO to enforce the contractual obligation of the concerned NGO/PO;

This Administrative Order shall take effect immediately and -supersedes all issuances inconsistent herewith.

Issued at Quezon City, this 3<sup>rd</sup> day of December 2003.

  
CORAZON JULIANO-SOLIMAN  
Secretary



# COMMISSION ON AUDIT CIRCULAR NO. 96-003

February 27, 1996

**TO :** All Heads of Departments, Bureaus, Agencies, and Offices of the National Government; Heads of Governing Boards of Government Owned or Controlled Corporations; Chief Accountants/Corporate Treasurers; Provincial Governors; City and Municipal Mayors; Local Treasurers, Accountants, Budget Officers; COA Directors, Auditors and All Others Concerned.

**SUBJECT:** Restatement with amendments of COA Circular No. 95-003 dated February 15, 1995 Prescribing Accounting and Auditing Guidelines on the release of Funds Assistance to Non-Governmental Organizations/People's Organizations (NGOs/POs).

## 1.0 RATIONALE AND OBJECTIVES

The 1987 Philippine Constitution provides under Section 23, Article II that the State shall encourage non-governmental, community-based, or sectoral organizations that promote the welfare of the nation. In consideration of this provision, Republic Act. No. 7160, otherwise known as the Local Government Code, institutionalized the partnership of these organizations and the local government units (LGUs).

In order to finance the developmental efforts of these NGOs/POs, government organizations (GOs), i.e., national government agencies (NGAs), LGUs and government-owned/controlled corporations (GOCCs) extend financial assistance to implement the projects of the former.

Since the Commission has noted that there has been a marked increase in the active participation of NGOs and POs in nation-building, COA Circular No. 95-003 dated February 15, 1995 was issued. However, upon its implementation by the GOs, some provisions thereof need amendments and clarification, hence, this circular is issued to:

- 1.1 restate and amend COA Circular No. 95-003 dated February 15, 1995;
- 1.2 clarify ownership of assets acquired/projects completed by NGOs/POs from fund assistance released to them; and
- 1.3 provide illustrative accounting entries relative to the release of funds to NGOs/POs.

## 2.0 DEFINITION OF TERMS

For purposes of this Circular, the following terms shall be construed to mean as follows:

2.1 Accreditation - the acceptance by the former's project after proper verification

2.2 Beneficiary - the community or any (

results of the development efforts of the GO and the NGO/PO.

- 2.3 Fund Assistance - the government funds entrusted to the NGO/PO to cover the implementation of a project which is included in the Work and Financial Plan (WFP) and Budget of the GO release of which is not necessarily limited to Maintenance and Other Operating Expenses (MODE), "Grants, Subsidies and Contributions (3-10-000)." This may be in the form of training packages, livelihood projects, interest-free loans, etc.
- 2.4 Government Office - any government agency whether local, national or corporate, which extends financial assistance to the NGO/PO.
- 2.5 Liquidation Report - document showing the summary of expenses in connection with the implementation of the project for a given period of time.
- 2.6 Non-Governmental Organization - a non-profit, voluntary organization that is committed to the task of socio-economic development and established primarily for service. Such service may involve assisting citizens or people's organizations in various ways by educating, training, or giving financial assistance to them.
- 2.7 People's Organization - independent community and/or class-based association established to protect and advance the interest of specific causes or sectors, e.g., labor, farmer, fisherman, women, civic organizations.
- 2.8 Project - activity undertaken by the NGO/PO<sup>1</sup> which may cover livelihood development, manpower development, sports development, delivery of basic services, cooperative development, environmental protection, family planning and the financing, construction, maintenance, operations and management of infrastructure projects.

### 3.0 GENERAL GUIDELINES

The following are the general guidelines in the extension of the fund assistance to the NGO/PO:

- 3.1 The project shall be included in the WFP and budget of the GO. If the fund assistance will be charged to savings or trust receipts received for the purpose, such utilization shall be approved by proper authorities.
- 3.2 The NGO/PO shall be accredited by the GO. In the case of non-regularly-funded GOs which generate their funds out of donations and shares from other GOs like the Presidential Management Staff with respect to the President's Social Fund, the implementing GOs shall set the minimum requirements/criteria for the selection of the NGO/PO project partners as stipulated in each program guideline.
- 3.3 The following shall be the requirements for the NGO/PO accreditation:
  - 3.3.1 Certificate of registration with the Securities and Exchange Commission (SEC), and/or with either the Cooperatives Development Authority (CDA) or the Department of Labor and Employment (DOLE), as the case may be, depending on the nature of the service required or to be rendered. This is to ensure that the NGO/PO has a legal personality, has officers who are responsible and accountable for its operations, and is based in the community where the project shall be implemented.
  - 3.3.2 Financial statements for at least three (3) years operation to ensure that :

- it has a stable financial condition so that the fund assistance shall not be its sole source of funds; and
  - it has proven experience in fund management so that the grant shall be managed efficiently and economically.
- 3.3.3 For NGO/PO which has been in operation for less than 3 years, proof that it had previously implemented similar projects and a certificate from LGU concerned attesting to the credibility and capability of the officers and staff of the NGO/PO shall be submitted in lieu of financial statements.
- 3.3.4 List of projects it has previously undertaken to show its experience and expertise in implementing the project to be funded.
- 3.4 The GO and the NGO/PO shall enter into a Memorandum of Agreement (MOA) or similar document, incorporating the following requirements:
- 3.4.1 Project statement including identification of beneficiaries;
- 3.4.2 Standards for project implementation by the NGO/PO and acceptance by the GO to include completion date;
- 3.4.3 Systems and procedures for project implementation such as but not limited to, the procurement of goods and services by the NGO/PO and the schedule of release of the fund assistance by the GO. In the development of the system and procedures, the GO and the NGO/PO shall be guided by generally accepted management principles for economical, efficient and effective operations;
- 3.4.4 Project cost estimates and time schedules; and
- 3.4.5 Reporting, monitoring and inspection requirements.
- 3.5 In the course of implementation, and as the need demands, amendment(s) of the MOA shall be made for any change(s) in the provisions.
- 3.6 During the effectivity of the MOA, the NGO/PO shall not use the funds for money market placement, time deposit and other forms of investments not related to the project.
- 3.7 For infrastructure projects, the NGO/PO shall post a performance security in the form of a surety bond callable on demand, issued by the Government Service Insurance System (GSIS) or any insurance company duly accredited by the Office of the Insurance Commission equivalent to 30% of the total fund assistance. If the project is not completed within 90 days after the prescribed completion date, the bond shall be forfeited.
- 3.8 The fund assistance shall be released as follows:
- 3.8.1 If the project is for implementation within a period of three (3) months, the assistance shall be released as follows:
- 3.8.1.1 For projects of P300,000 or less, assistance may be released in full.
- 3.8.1.2 For projects of more than P300,000, release may be made in three tranches:



- 15% upon approval and signing of the MOA;
- 35% after 50% project completion;
- 50% upon completion of the project, subject to the favorable evaluation/inspection by the GO of the results of the previous release(s).

3.8.2 If the project is to be implemented for more than 3 months, the first release shall cover two (2) months operation but not to exceed 30% of the total assistance, subject to the release of the remaining balance upon submission of accomplishment reports evidenced by pictures of the accomplishments and/or report of inspection by the GO and certifications of receipt by beneficiaries/payrolls/invoices, etc.

3.9 The NGO/PO shall keep and maintain financial and accounting records for the funds in accordance with generally accepted accounting principles. They shall be subject to the visitorial audit and examination of the GO and the Commission on Audit (COA).

3.10 Within 60 days after completion of a project, the NGO/PO shall submit financial statements, certificate of project completion and acceptance of project by the beneficiaries or funding agencies. For projects amounting to P100,000.00 and more, the statements shall be certified to by an independent Certified Public Accountant or verified by the internal auditor of the funding agency.

3.11 The NGO/PO shall return any amount not utilized to the funding GO or shall request authority to use the savings for activities allied to the project, e.g., purchase of additional medicines for medical services, books for manpower development, desks and chairs for schoolbuildings, etc.

#### 4.0 DUTIES AND RESPONSIBILITIES OF THE GO

The GO shall :

- 4.1 accredit the NGO/PO after proper verification and validation of required documents and statements;
- 4.2 develop standards for project implementation and acceptance;
- 4.3 release the grant as required and record it as Cash Funds Entrusted to NGO/POs (8-70-910);
- 4.4 require monthly or quarterly financial and physical status reports as it deems necessary;
- 4.5 monitor and inspect project implementation and verify financial records and reports of the NGO/PO;
- 4.6 issue certificates of acceptance upon completion of the project and acceptance by its beneficiaries and take up the credit to the NGO/PO account;
- 4.7 forfeit the performance bond for non-completion and credit the proceeds as income of the GO or to the account of the NGO/PO, as the case may be;
- 4.8 request the COA for special audits of NGO/PO on a case to case basis;
- 4.9 authorize the use of savings from the assistance for prosecution of related

projects;

- 4.10 demand the refund of unused funds for savings after project completion;
- 4.11 demand the refund of the disallowed amounts after financial audit;
- 4.12 institute appropriate actions against the NGO/PO for material violation of the provision(s) of the MOA.

## **5.0 DUTIES AND RESPONSIBILITIES OF THE NGO/PO**

The NGO/PO shall:

- 5.1 ensure project implementation in accordance with the MOA;
- 5.2 keep and maintain separate COMBO/savings account and subsidiary records for assistance received from each GO;
- 5.3 require beneficiaries to issue certificate of acceptance for accomplished/ completed projects;
- 5.4 submit the required financial and physical status reports;
- 5.5 submit to the GO certificate of accomplishment with required evidence, and for projects involving assistance of P100,000 or more, duly audited financial statements;
- 5.6 return to the GO any unutilized amount or request authority to use the savings for allied activities.

## **6.0 DUTIES AND RESPONSIBILITIES OF THE COA AND ITS AUDITORS**

The COA shall:

- 6.1 audit the grant of the fund assistance, with emphasis on the GO's monitoring and inspection system, in accordance with laws and regulations;
- 6.2 conduct special audits of NGOs/POs upon request by proper authorities or as determined by the COA Chairman.

## **7.0 ACCOUNTS AND ILLUSTRATIVE ACCOUNTING ENTRIES**

- 7.1 The new account to be used is as follows:

8-70-910 - Cash - Funds Entrusted to NGOs/POs

This account is used to record the release of funds entrusted to NGOs/POs which shall be in the nature of a cash advance for the implementation of government projects.

Debit this account for:

Release of funds entrusted to NGOs/POs.

Credit this account for :

Liquidation.

Refund of the unused fund.

7.2 The accounting entries to be followed are provided in Annex A hereof.

## 8.0 LIMITATIONS

- 8.1 No portion of the fund assistance shall be used for the payment of salaries, honoraria and any form of allowances of the personnel of the GO nor for the purchase of supplies and materials, equipment and motor vehicles for the GO.
- 8.2 Except for purchases out of interest-free loans, no equipment shall be acquired out of the fund assistance to NGOs/POs.

## 9.0 REPEALING CLAUSE

All circulars or other issuances which are inconsistent herewith are hereby repealed or modified accordingly.

## 10.0 EFFECTIVITY

This Circular shall take effect immediately.

(Sgd.) **CELSO D. GAÑGAN**  
Chairman

(Sgd.) **ROGELIO B. ESPIRITU**  
Commissioner

(Sgd.) **SOFRONIO B. URSAL**  
Commissioner

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### ATTACHMENT:

[Annex A - Illustrative Accounting Entries](#)

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