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Department of Social Welfare and Development

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MEMORANDUM CIRCULAR

No. 16

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**TO : All DSWD Undersecretaries/Cluster Heads, Assistant Secretaries/
Coach Monitors, Bureau Directors, Regional Directors, Service
Directors, All Concerned Officials and Employees**

**SUBJECT : Guidelines on the Release of DSWD
Funds to Non-Government Organizations/Peoples Organizations
(NGOs/POs)**

1. OBJECTIVES

In pursuit of the objectives of Commission on Audit Circular No. 2007-001, this memorandum circular is hereby issued to provide guidelines on the release, utilization and accounting of DSWD funds transferred to Non-Government Organizations/Peoples Organizations (NGOs/POs).

The objectives of these guidelines are as follows:

- 1.1 To provide guidance to all concerned DSWD officials and employees on the release, utilization, monitoring and reporting of DSWD funds transferred to NGOs/POs.
- 1.2 To identify/establish and clarify accountabilities of DSWD officials and employees involved in the processing of funds released to NGOs/POs and that of the NGOs/POs and their officers who received the funds.

2. GUIDELINES

General Guidelines

- 2.1 The Department shall identify the priority projects under its authorized budget, which may be implemented by NGO/PO. The information on the projects shall include their purposes, specifications and intended beneficiaries and timetable for the implementation of the project. To ensure transparency, the foregoing information shall be made public via newspapers, agency websites, bulletin boards and the like, at least three months prior to the target date of the start of the identified project/s.
- 2.2 NGOs/POs that are interested to engage in partnership with the Department on the implementation of the project shall submit a complete project

proposal approved/signed by its officers which shall include the objectives, target beneficiaries, feasibility studies, risk assessment, designs, plans, blueprints, charts, etc.

- 2.3 The Department shall select the NGO/PO partner through a Selection Committee to be created by the Department. The Selection Committee shall perform the selection process, including the screening of the qualifications documents, ocular inspection of the NGOs/POs business site, and evaluation of the technical and financial capability of the NGO/PO.
- 2.4 To expedite the process of selection, the Standards Bureau shall provide the Selection Committee a list of licensed NGOs as a permanent reference file, where the Committee could refer to with regard to, among others, its status, basic information and the services provided by said NGO.

Selection of NGO/PO

- 2.5 In deference to DSWD mandate on the regulation of NGOs/POs and in pursuit of strengthening the accountability system covering government funds, only registered and licensed NGOs shall be eligible for any transfer of DSWD funds.
 - 2.5.1 A DSWD Selection Committee shall be created for the purpose, which shall formulate the criteria for the selection of NGOs/POs that would implement the social welfare and development program/project. The Selection Committee shall be composed of a representative each from the Program Management Bureau (PMB), Standards Bureau (SB), Social Technology Bureau (STB), Financial Management Service (FMS), and Legal Service (LS) and shall be chaired by an Assistant Secretary to be designated by the Secretary.
 - 2.5.2 A similar arrangement shall be constituted in the DSWD Field Offices for the selection of NGOs/POs that will implement social welfare and development programs/projects in the region. The Regional Selection Committee shall be composed of members representing Operations Division, Technical Assistance Division, Management or Finance Division and shall be chaired by the Assistant Director.
 - 2.5.3 The Selection Committee at the Central Office shall formulate the selection criteria for uniform implementation of the selection process at the DSWD Central Office and DSWD Field Offices.
 - 2.5.4 The Committee shall recommend to the DSWD Secretary or her authorized representative the NGO that meets the minimum requirements, which can deliver the specifications for the project and which can satisfactorily undertake the project at terms most

advantageous to the government and beneficiaries, taking into account the effectiveness of the project.

2.5.5 NGOs shall not be eligible for DSWD engagement or transfer of DSWD funds under the following conditions:

- NGOs found by either the Internal Audit Services (IAS) or Program Management Bureau (PMB) or Financial Management Service (FMS) or the Legal Service (LS) or Standards Bureau (SB) or any duly constituted DSWD body to have violated the provisions of the Memorandum of Agreement (MOA) with DSWD, among others: non-delivery or incomplete delivery of programs/projects as approved by DSWD and stipulated in the MOA; non-liquidation of cash advances; fraudulent liquidation of cash advances; and other similarly related cases.
- NGOs with derogatory reports from other agencies of the government as certified by said agency;
- NGOs which one or more member/s of the board is/are a member/s of the board of another NGO blacklisted by the DSWD;
- NGOs which member of the board is a separated official/employee of DSWD on grounds of moral turpitude;
- NGOs in employ of separated official/employee of DSWD on grounds of moral turpitude and whose work in the NGO is involved directly or indirectly in the planning and/or implementation of the proposed project with DSWD;
- Other related cases.

Requirements on Transfer of Funds to NGO/PO

2.6 The PDAF transferred to the NGOs/POs shall retain their character as public funds. Hence, a Memorandum of Agreement (MOA) shall support said support transfer of funds, which shall be the terms of reference of the agreement between the Department and the NGO/PO on the implementation of the project. It shall stipulate the respective roles/responsibilities of the Department and the NGO/PO and, all the conditions and information required by the Commission on Audit from the NGO/PO pursuant Item 4.5.3 of COA Circular 2007-001. In addition, the following shall be included in the MOA or submitted as additional supporting document:

2.6.1 The limitations on the use of funds transferred to NGO/PO pursuant to Item 6.2 of COA Circular No. 2007-001;

- 2.6.2 A solidarily liability clause which shall establish the accountability/liability of all officers of the NGO in the event it fails to liquidate or misappropriate the funds or lose the same by any circumstance;
 - 2.6.3 Allow visitorial audit by the officials and personnel of the Commission on Audit (COA) authorized to perform the audit under an approved office order;
 - 2.6.4 Institution of legal action by DSWD against the NGO/PO should it fail to complete a project covered by the MOA, or for a material violation of the provisions of the MOA, or of this Circular, and in any of these cases, its subsequent disqualification from applying for another project in any other GO;
 - 2.6.5 In case of the dissolution of the NGO/PO, voluntary or involuntary, its assets shall serve as lien, in accordance with existing laws, to the extent of the unexpended or unutilized portion of the fund;
 - 2.6.6 Maintenance of the NGO/PO of a separate savings account for each fund received from DSWD; and
 - 2.6.7 The return by the NGO/PO to DSWD of any amount not utilized to complete the project, including interest, if any.
 - 2.6.8 The requirements for the recipient NGO/PO to keep and maintain financial and accounting records of the funds transferred by the Department in accordance with the Philippine Accounting Standards, submission of the financial reports to DSWD as agreed upon in the MOA, and to make available to DSWD and/or COA Auditors all records and documents, including disbursement vouchers relative to the utilization of the funds transferred.
 - 2.6.9 The submission to the DSWD of the final Fund Utilization Report certified by its Accountant and approved by the Board of Directors sixty (60) days after the completion of the project and all supporting documents as required under Item 5.4 of the same COA Circular.
- 2.7 The concerned DSWD office/unit together with the NGO/PO shall be jointly responsible for the preparation of Memorandum of Agreement (MOA) clearly stating the terms required in Item 2.5 of this Memorandum Circular. For this purpose, a MOA template shall be issued by the Central Office Selection Committee for uniform utilization at DSWD Central Office and Field Offices. The Memorandum of Agreement (MOA) with NGOs/POs that are implementing programs/projects within the jurisdiction of the Field Office shall be processed and signed by the Field Office Director concerned. The

Memorandum of Agreement (MOA) with NGOs/POs that are implementing programs/projects in two or more regions shall be processed in the Central Office and approved by the Secretary.

- 2.8 In the procurement of any type out of PDAF, the NGO/PO shall conduct simple bidding or canvass to ensure the best terms and quality of purchase
- 2.9 The NGO/PO shall put up an equity to the project equivalent to 20% of the total project cost, which may be in the form of labor, land for the project site, facilities, equipment and the like, to be used in the project. The Selection Committee shall ensure that this requirement is complied with by the NGO/PO.
- 2.10 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 to be transferred. If the project is not completed within 90 days after the prescribed completion date, the bond shall be forfeited in favor of the Department.
- 2.11 Funds to NGOs/POs shall be released in the following tranches:
 - 30% upon approval and signing of MOA
 - 70% after submission of liquidation report of the first 30% and validation/favorable recommendation by DSWD Internal Audit Service Auditors.

However, the Secretary of DSWD may decide other percentage combinations of staggered fund releases including full release in single tranche of said DSWD funds to NGO/PO.

- 2.12 No portion of the funds shall be released before the signing of the MOA. Checks issued by the Department covering the release of funds to the NGO/PO shall be crossed for deposit to its savings or current accounts.
- 2.13 In case of staggered fund releases or new fund release covered by another MOA, no NGO/PO shall receive additional releases unless an interim Fund Utilization Report of the previous release certified by its Accountant and approved by its President/Chairman is first complied with, showing a summary of expenses and a status report of accomplishment evidenced by pictures.
- 2.14 The Internal Audit Service (IAS) of the Department shall verify the validity of this document and submit recommendation whether or not to release the second and final tranche, as the case may be. It shall likewise validate the final completion and liquidation report of the final tranche and submit recommendation on whether or not the NGO/PO has satisfactorily complied

with the provisions of the MOA with regard to the implementation of the project. It shall also include a recommendation on the future action the Department may take on the NGO/PO on future projects of DSWD.

- 2.15 The recipient NGO/PO shall return to the Department any amount not utilized upon completion of the project.
- 2.16 No NGO/PO shall be a recipient of DSWD funds where any of the provisions of this Memorandum Circular and the MOA entered into with DSWD has not been complied with, in any previous undertaking with funds allocated to the Department.

Monitoring Requirement

- 2.17 All DSWD officials signatory to the MOA and all concerned officials who have direct responsibility over the project shall cause the close monitoring and inspection of the project implementation and verification of financial records and reports of NGO/PO, and shall ensure the compliance with the provisions of the MOA and of COA Circular 2007-001.

Accounting and Reporting Requirements

- 2.18 The DSWD Central and Field Offices shall keep and maintain financial and accounting records of funds transferred to NGOs/POs in accordance with the Philippine Financial Reporting Standards (PFRS).

3. TRANSFER OF PRIORITY DEVELOPMENT ASSISTANCE FUND (PDAF)/CONGRESSIONAL INITIATIVES OF MEMBERS OF CONGRESS TO NGO/PO

The transfer of PDAF and funds from Congressional Initiatives to NGO/PO shall be governed by a separate guideline that will be issued for the purpose.

4. REPEALING CLAUSE

All issuances that are inconsistent with this circular are hereby repealed or modified accordingly.

5. EFFECTIVITY

This circular shall take effect immediately.

Issued at Quezon City this 18th day of June 2009.


ESPERANZA I. CABRAL
Secretary

