



Republic of the Philippines
Department of Social Welfare and Development

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MEMORANDUM CIRCULAR

No. 03
Series of 2010

SUBJECT: Guidelines to Memorandum Circular Nos. 15 & 16, Series of 2009, Guidelines on the Conduct of Validation of Priority Development Assistance Fund (PDAF) Released to Non-Government Organizations/Peoples Organizations (NGOs/POs)

1.0 Rationale:

Pursuant to Section 5.4 of COA Circular No. 2007-001 dated October 25, 2007, Internal Audit Service (IAS) or its equivalent is tasked to validate the Liquidation Report of NGOs/POs, *“Within sixty (60) days after the completion of the project, the NGO/PO shall submit the final Fund Utilization Report certified by its Accountant and approved by its President/Chairman to the GO, together with the inspection report and certificate of project completion rendered/issued by the GO authorized representative, list of beneficiaries with their acceptance / acknowledgement of the project / funds / goods / services received. The validity of these documents shall be verified by the internal auditor or equivalent official of the GO and shall be the basis of the GO in recording the fund utilization in its books of accounts. These documents shall support the liquidation of funds granted to the NGO/PO.”*

Following COA Circular No. 2007-001, Memorandum Circular Nos. 15 (Section 4.16) & and 16 (Section 2.14), Series of 2009 were issued. IAS is required to conduct the validation of funds transferred under PDAF and the release of DSWD Funds to NGOs/POs with the end goal of ensuring the accuracy, legality and validity of expenditures for the intended purpose. Items 4.6 and 2.14 of the said MCs provides, *“The Internal Audit Service shall verify the validity of this document and submit recommendation whether or not to release the second 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.”*

To facilitate the validation of funds transfer under PDAF/CI and the release of DSWD funds to NGOs/POs, the following procedural guidelines is issued relative to MC Nos. 15 & 16, Series of 2009.

2.0 Legal Bases

- 2.1 Presidential Decree No. 1445** Ordaining and Instituting a Government Auditing Code of the Philippines
- 2.2 Commission on Audit (COA) Circular No. 2007-001 dated October 25, 2007**, "Revised Guidelines in the Granting, Utilization, Accounting and Auditing of Funds Released to Non-Government Organizations/Peoples Organizations (NGOs/POs)
- 2.3 Commission on Audit (COA) Circular No. 2009-002 dated May 18, 2009**, Reinstating Selective Pre-Audit on Government Transactions
- 2.4 Commission on Audit (COA) Circular No. 2009-004 dated June 16, 2009**, Deferment of the date that the COA Circular No. 2009-002 dated May 18, 2009 takes effect re: Reinstating Selective Pre-Audit on Government Transactions
- 2.5 DSWD Memorandum Circular No. 15, Series of 2009**, Guidelines on the Management and Utilization of Priority Development Assistance Fund (PDAF)/Congressional Initiative (CI)
- 2.6 DSWD Memorandum Circular No. 16, Series of 2009**, Guidelines on the Release of DSWD Funds to Non-Government Organizations/Peoples Organizations (NGOs/POs)

3.0 Objectives

- 3.1** To provide specific guidelines on the conduct of validation of implementation of projects funded under PDAF/CI and released of funds by DSWD to NGOs/POs pursuant to MC Nos. 15 & 16, Series of 2009; and,
- 3.2** To clarify roles and accountabilities of concerned Bureaus/Services/Offices, including Field Offices of the Department in the conduct of validation activities over PDAF/CI Projects implementation by NGOs/POs.

4.0 Coverage of the Circular

This MC shall cover PDAF/CI released by the Central and Field Offices to NGOs/POs starting February 01, 2010.

5.0 Guidelines:

5.1 Central Office

The First Tranche

- 5.1.1 Upon receipt of the Liquidation Report and the supporting documents for the **first tranche** of funds released to NGOs/POs, the Department Legislative Liaison Office (DLLO), as coordinating office shall transmit one copy each of said documents to IAS.
- 5.1.2 IAS shall verify the validity of the claims of NGO/PO in its Liquidation Report and the supporting documents as to the existence/status of the project implementation, and the compliance of NGOs/POs to the provisions of the MOA with DSWD and the approved project proposal.
- 5.1.3 After the conduct of validation, the IAS Director shall issue a certification on the validity of the claims as to the existence of the project, the status/completion of the Project, the propriety authenticity of the documentation and extent of compliance in accordance with the Project Proposal and the provisions of the MOA. (*Format of Certification – Annex A*)
- 5.1.4 The IAS certification shall be the basis of the Finance Management Service (FMS) in the release of the final tranche of PDAF/CI funds to NGOs/POs and the recording in the liquidation of expenses in the Books of Accounts.
- 5.1.5 The IAS shall submit validation findings and recommendation on the particular engagement to the Secretary, copy furnished DLLO and FMS.
- 5.1.6 If the NGO/PO has difficulties in implementing the project, Bureaus/Offices concerned may be required by DLLO to provide technical advice and/or assist said NGO/PO.

The Final Tranche

- 5.1.7 The validation for the **final tranche** shall follow 5.1 to 5.6 of this guideline which tasks IAS to review and validate the one hundred percent completion of the project.

5.2 Field Office

The First Tranche

- 5.2.1 Upon receipt of the Liquidation Report and the supporting documents of the **first tranche** of funds released to NGOs/POs, the Office of the Regional Director, through the MAA, shall verify the validity of the claims in the Liquidation Reports and its supporting documents as to the existence/status of the project implementation, and the compliance of NGOs/POs to the provisions of the MOA with DSWD and the approved project proposal.
- 5.2.2 The MAA is hereby deputized to conduct the review of documents and validation of the claims indicated in the Liquidation Report submitted by NGOs/POs.
- 5.2.3 The MAAs validation report and recommendation shall be submitted for review and evaluation of the Regional Director who shall issue a certification as to the status of the implementation of the project and compliance to the provisions of MOA and existing rules and regulations.
- 5.2.4 The certification from the Regional Director shall be the basis of of the Accounting Unit in the release of the final tranche of PDAF/CI funds to NGOs/POs and the basis of FO Accounting Unit in taking up the liquidation of expenses in the Books of Accounts.
- 5.2.5 If the NGO/PO has difficulties in impropriety, other offices in FO may be required by the Regional Director to provide technical advice and/or assist said NGO/PO in implementing the project.

The Final Tranche

- 5.2.6 For the **final tranche**, IAS with the assistance of the respective MAA shall be responsible for the review and validation of the project. The Regional Director shall submit to IAS the Liquidated Report and its supporting documents of the remaining 70% funds released to NGOs/POs.
- 5.2.7 The validation by IAS does not preclude the major responsibility of the Program Management Bureau (PMB), the Field Offices (FOs) and other office concerned to monitor the implementation of the project by NGOs/POs as indicated in Section 8.1 of MC Nos. 15 & 16, Series of 2009.

5.2.8 Audit to be conducted by IAS may include liquidation of the first tranche of funds released to NGOs/POs.

Attached is the process flow for the validation procedures. (Process Flow for CO (Annex B & Annex C) and FO (Annex D and Annex E),

6.0 Timeline of Validation

6.1 Central Office. The IAS Director, based on the audit/validation of IAS Internal Auditors, shall issue Certificate of Liquidation and/or Validation Report within 10 to 20 days and 15-30 days for the first and final tranches, respectively, upon receipt of Liquidation Report for the first and final tranches from NGOs/POs.

6.2 Field Office. The FO Director, based on the audit/validation made by the respective MAA, shall issue Certificate of Liquidation and/or Validation Report within 10 to 20 days for the first tranche upon receipt of Liquidation Report and its supporting documents from NGOs/POs. Meanwhile, IAS shall validate within 30 days the final tranche of the funds released to NGO/PO upon receipt of Liquidation Report from the Field Office.

The indicative validation period shall cover the following activities for the first and final tranches:

ACTIVITY	DATE/TIME	
	1 st Tranche	2 nd Tranche
1. Review of documents	1-2 days	1-2 days
2.Coordination of IAS with FO and travel time, if applicable.	---	2-3 days
3.Preparation of Validation Program and activities, including preparation/approval of travel authority, if needed.	2-3 days	2-5 days
4.On-site validation, conduct of interview, technical review of the project (depending on the type of project).	2-5 days	5-10 days
5. Preparation of Validation Report	3-5 days	3-5 days
6.Review/Revision/Validation Report and/or Issuance of Certificate of Liquidation	2-5 days	2-5 days
Total	10-20 days	15-30 days

7.0 Procedure for Grievance

- 7.1 In case of grievance, the officials/employees and/or NGOs/POs concerned may file their complaint to DLLO to evaluate the complaint and submit recommendation to the Office of the Secretary for final disposition.
- 7.2 Should the NGOs/POs request for the conduct of comprehensive /saturation audit, the cost of such audit shall be borne by the NGOs/POs concerned.
- 7.3 Based on the validation report, if expenses could not be substantiated by NGO/PO, the FMS Director for Central Office or the Regional Director for the Field Office shall require said NGO/PO to immediately return the cash advance to DSWD. Demand letter shall be issued to NGOs/POs by FMS Director/FO Director. After two (2) demand letters have been issued, the case may be endorsed to Legal Service for appropriate action.

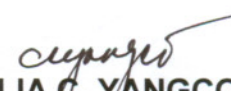
8.0 Source of Fund

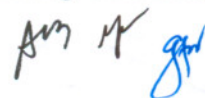
The expenses of validation activity of IAS official and staff shall be chargeable against IAS Fund, while the expenses of the Field Office official and staff relative to the validation activity shall be chargeable to the Field Office Fund.

9.0 Effectivity

This procedural guideline shall take effect February 01, 2010.

Issued at Quezon City this 26th day of January 2010.


CELIA C. YANGCO
Acting Secretary



Prepared by :
Toni C. Alcober
012010

(Date)

CERTIFICATION

We have reviewed the Fund Utilization of (**Name of NGO/PO**) with regard to the implementation of (**Name of the projects/programs implemented**). As of (**Date of Submission of Liquidation Report**), the funds transferred by the Department of Social Welfare and Development (DSWD) to (**Name of NGO/PO**), that were charged against the Priority Development Assistance Fund (PDAF) of (**Name of Legislator**), are accounted for as follows:

Amount Transferred to NGO/PO

Check No. _____	Date _____	P _____	
Check No. _____	Date _____	_____	
Check No. _____	Date _____	_____	
Total Amount Transferred			P _____

Less Disbursement

Liq. Report Dtd _____	P _____		
Liq. Report Dtd _____	_____		
Liq. Report Dtd _____	_____		
Total Allowable Disbursement	P _____		
Disallowances (Annex _____)	(_____)		
Total Allowable Disbursements			P _____

Balance as of (date of Liquidation Report)

P _____

This is to further certify that the amount of (**Amount of Liquidation in Words**) (**P _____**) is properly accounted for and allowable for liquidation as of (**Date of Liquidation Report**).

Because of the findings/observations which were noted during the review of documents and validation of the beneficiaries, (**Amount of Disallowed Disbursement**) is disallowed. (Please see details in Annex ____.) The disallowed expenses could be lifted upon presentation of a valid basis and/or document that would support such deviation. If said expenses could not be substantiated, Financial Management Service Director/Regional Director shall require the return of cash advance from NGO/PO.

This certification is issued in conformity with COA Circular 2007-01 dated October 25, 2007.

Certified Correct by:

Approved by:

Internal Auditor/MAA

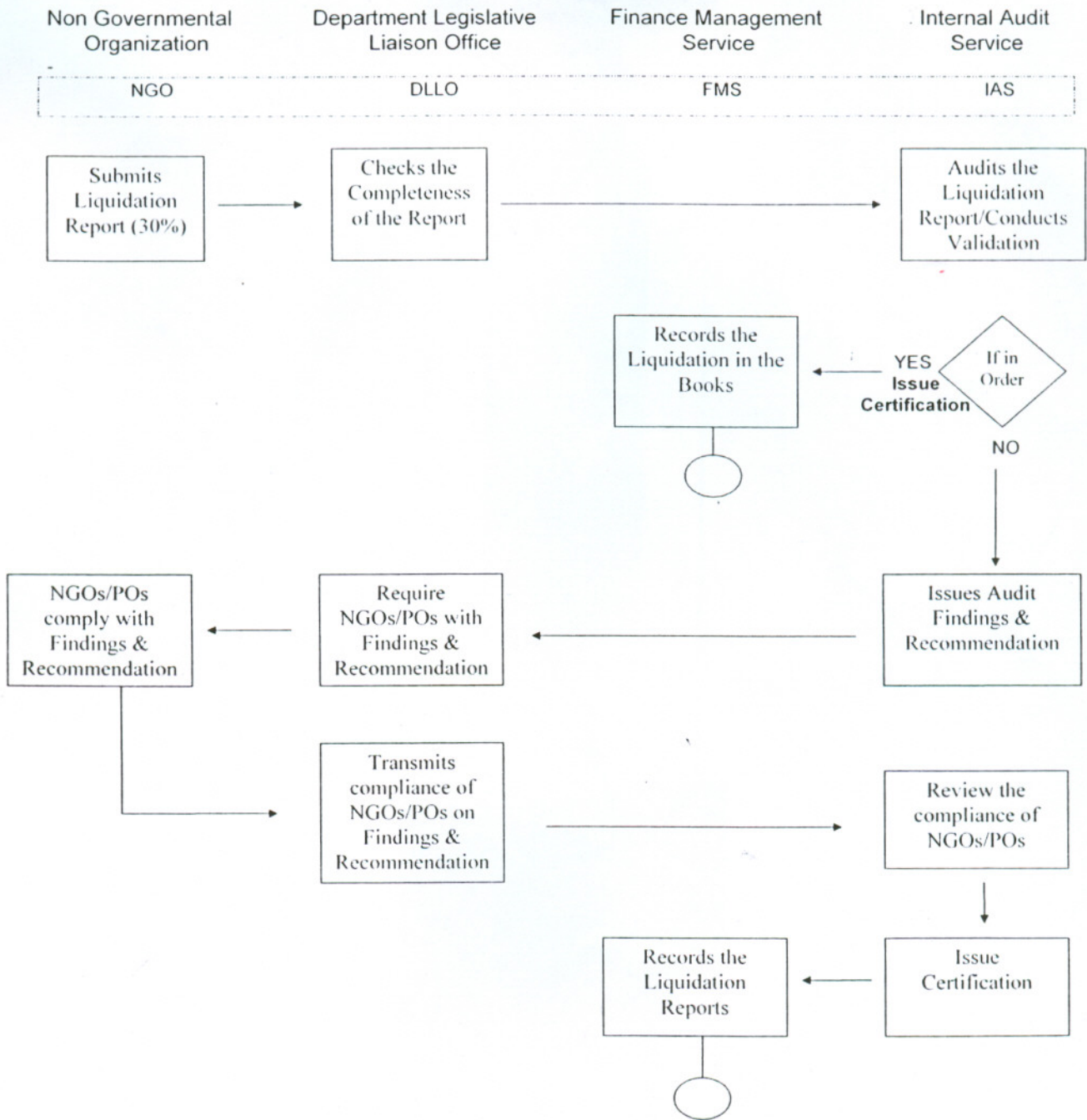
IAS Director/FO Director

Prepared by:

Cristina C. Gaming, Internal Auditor III

PROCESS FLOW CHART OF VALIDATION PROCEDURES

Central Office
(First Tranche)



PROCESS FLOW CHART OF VALIDATION PROCEDURES

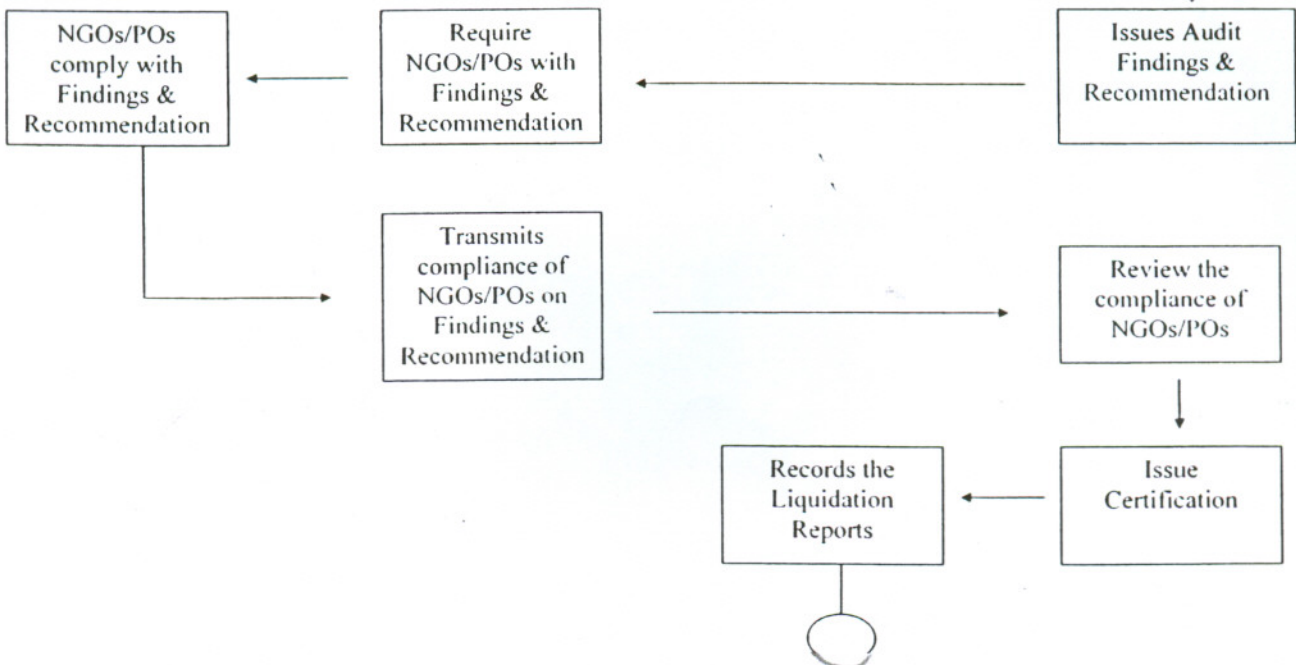
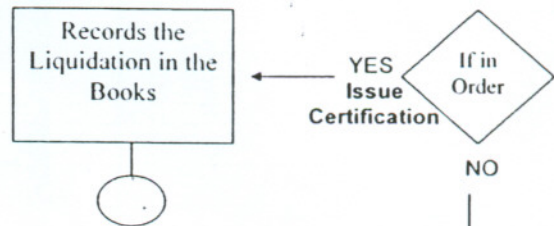
Central Office
(Final Tranche)

Non Governmental
Organization

Department Legislative
Liaison Office

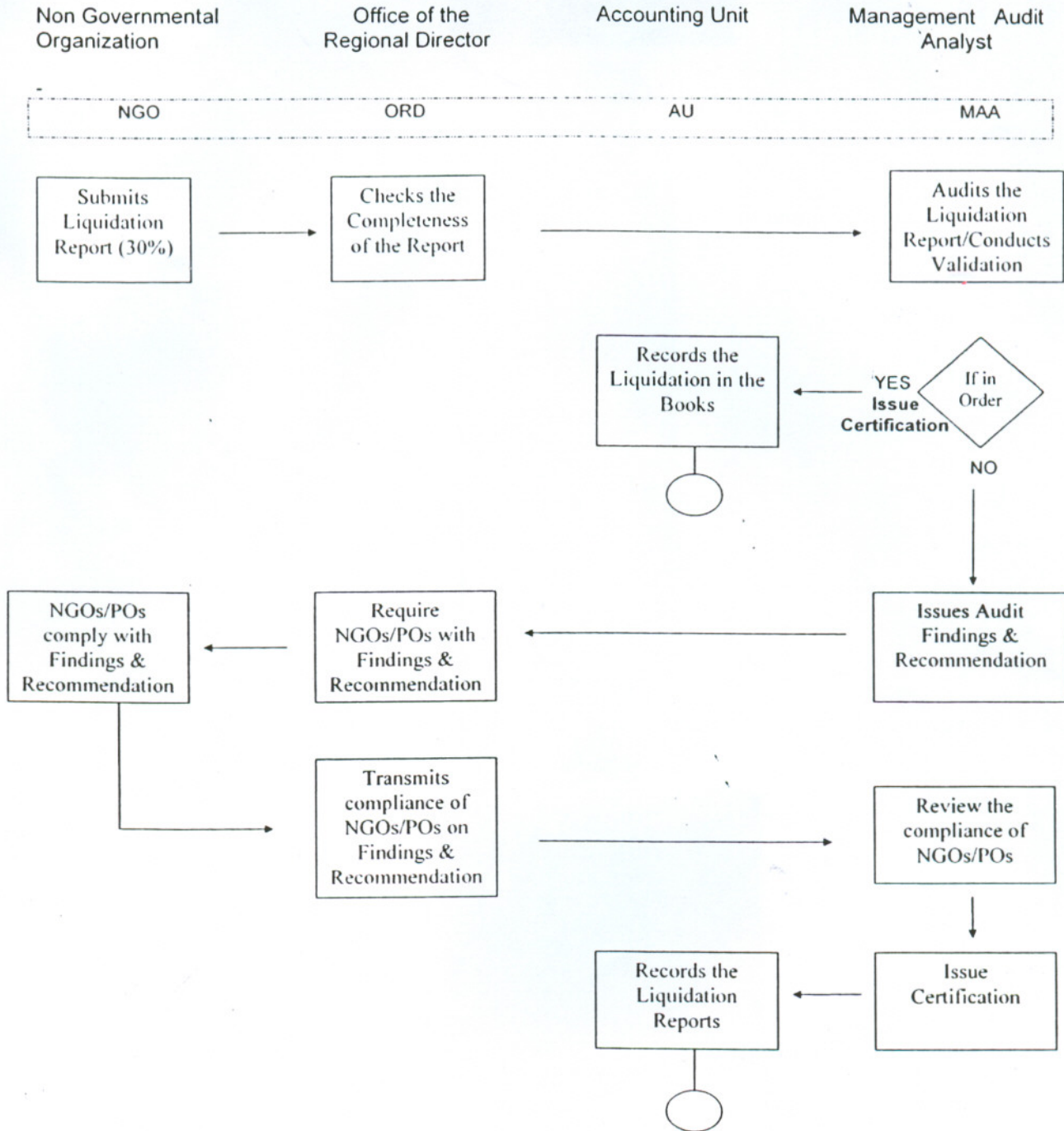
Finance Management
Service

Internal Audit
Service



PROCESS FLOW CHART OF VALIDATION PROCEDURES

**Field Office
(First Tranche)**



PROCESS FLOW CHART OF VALIDATION PROCEDURES

Field Office
(Final Tranche)

