



PAMBANSANG PUNONGHIMPILAN TANOD BAYBAYIN NG PILIPINAS
(National Headquarters Philippine Coast Guard)
139 25th Street, Port Area
Manila 1018

NHQ-PCG/CGFS

04 December 2024

**STANDING OPERATING PROCEDURE
NUMBER 34-24**

**DISBURSEMENT THROUGH MODIFIED DISBURSEMENT SYSTEM (MDS)
CHECK**

1. AUTHORITY

Republic Act No. 9993, also known as the “Philippine Coast Guard (PCG) Law of 2009” and its Implementing Rules and Regulations (IRR).

2. REFERENCES

- A. Government Accounting Manual Volume 1;
- B. DBM Circular Letter No. 2013-16: Implementation of the Expanded Modified Direct Payment Scheme (ExMDPS) for Accounts Payable Due Creditors/Payees of all National Government Agencies (NGAs) dated 23 December 2013;
- C. Amendment 2013-16A of DBM Circular Letter No. 2013-16 dated 06 February 2014;
- D. Amendment 2013-16B of DBM Circular Letter No. 2013-16 dated 25 February 2014;
- E. DBM Circular Letter No. 2018-14: Updated Guidelines in the Implementation of the Modified Direct Payment Scheme (MDPS) Due Creditors/Payees of All National Government Agencies (NGAs)” dated 28 Dec 2018;
- F. Bureau of Internal Revenue Regulations No. 7-2024 dated 22 March 2024;
- G. Bureau of Treasury Circular No. 03-2017: Reduction in the Expiry Period of MDS from six (6) months to three (3) months from date of issue;
- H. NHQ-PCG/CG-6 Standing Operating Procedure No. 13-21, entitled “Revised List of Documentary Requirements for the PCG Transactions” dated 12 August 2021;

- I. NHQ-PCG Standing Operating Procedure No. 14-20, entitled “Guidelines on the Decentralization and Devolution of Budget, Accounting and Disbursement System to Coast Guard Districts” dated 04 December 2020; and
- J. HCGFS Standing Operating Procedure No. 004, entitled “Processing and Reporting of PCG Remittances” dated 12 April 2024.

3. PURPOSE

This Standing Operating Procedure prescribes the guidelines on the disbursement through Modified Disbursement System (MDS) check of the PCG.

4. SCOPE

This SOP covers all disbursements made through MDS checks.

5. OBJECTIVES

This SOP provides the guidelines and step-by-step procedure on the disbursement through MDS check to the PCG.

6. DEFINITION OF TERMS

For the purpose of this SOP, the following terms are defined as follows:

- A. **Accounts Payable (A/P)** – refers to valid and legal obligations of National Government Agencies (NGAs)/ Operating Units (OUs), for which, goods/services/projects have been delivered/rendered/completed and accepted, regardless of the year when these obligations were incurred.
- B. **Advice of Check Issued and Cancelled (ACIC)** – refers to a report prepared and submitted at least daily by an agency/ entity to the Land Bank of the Philippines (LBP) to enable the payees to in-cash/ negotiate the issued checks. The advice shall be submitted to LBP.
- C. **BIR Form 2307** – also known as the “Certificate of Credible Tax Withheld at Source”, is used to present the income of an individual that is subject to Expanded Withholding Tax (EWT) paid by the withholding agent.
- D. **Disbursements** – constitute all cash paid out during a given period through cash, MDS checks, or Advise to Debit Account (ADA). It may also mean the settlement of government payables/obligations and shall be covered by Disbursement Voucher (DV)/ Petty Cash Voucher (PCV)/ Payroll.
- E. **Disbursement Voucher (DV)** – is a form used to pay an obligation to employees/individuals/agencies/creditors for goods purchased or services rendered. It shall be prepared by the requesting office/unit.
- F. **Electronic Modified Disbursement System (EMDS)** – is a secured internet banking facility for National Government Agencies (NGAs),

including the Bureau of Treasury and the Department of Budget and Management (DBM), which offers banking convenience to perform MDS transactions online.

- G. **EMDS Authorizer** – access of user to a particular enrolled MDS account to implement (approve or reject) the EMDS transaction initiated by the maker.
- H. **EMDS Maker** – access of user to a particular enrolled MDS account to initiate EMDS transactions.
- I. **Land Bank of the Philippines (LBP)** – authorized government servicing bank to which DBM issues the Notice of Cash Allocation (NCA) for crediting to the MDS sub-accounts of PCG.
- J. **Modified Disbursement System (MDS)** – a disbursement system implemented to facilitate effective management of the National Government’s cash resources, whereby NGAs settle their payables through issuance of checks or through crediting to bank accounts.
- K. **Modified Disbursement System Check** – check issued by Government Agencies chargeable against the account of the Treasurer of the Philippines, which are maintained with different MDS Authorized Government Depository Banks (AGDBs). MDS checks are covered by NCA.
- L. **Notice of Cash Allocation (NCA)** – shall be the authority of an agency to pay operating expenses, purchases of supplies and materials, acquisition of Personal Protective Equipment (PPE), accounts payable and other authorized disbursements through the issuance of MDS checks, ADA or other modes of disbursements.
- M. **Report of Check Issued (RCI)** – used by the disbursing officer to report daily or as often as necessary his/her disbursements made through checks. It shall include cancelled checks, and shall be maintained by fund cluster.
- N. **Unified Accounts Code Structure (UACS)** – is a government-wide harmonized budgetary, treasury and accounting code classification structure jointly developed by the Department of Budget and Management (DBM), Commission on Audit (COA), Department of Finance (DOF) and Bureau of Treasury (BTr) which aims to facilitate financial reporting and consolidate actual revenue collection and expenditure, enable the assessment of outturns against transparency/accountability and improve efficiency in terms of utilization of government funds.

7. POLICIES

- A. Payment through MDS check of the following types of claims shall only be made if required documents are complete, correct and accurate.

Types of Claims	Documentary Requirements
Retirement Claims (Lump Sum and Commutation of Unused Leave)	Refer to NHQ-PCG/CG-6 SOP Nr 13-21, Revised List of Documentary Requirements for the Philippine Coast Guard Transactions
Posthumous Separation/ Retirement Claims	
Supplier Claims	

- B. Mandatory remittances through MDS check shall be forwarded to LBP for crediting not later than 8th day of the following month to avoid penalties.
- C. MDS checks issued by LBP from 02 January 2018 onwards shall indicate "VALID FOR THREE MONTHS FROM THE DATE OF ISSUE".
- D. A stale, voided or spoiled check shall be marked cancelled on its front page and reported as follows:
 - i. Voided, spoiled or unclaimed stale checks shall be reported as cancelled in the List of Unreleased Checks that will be attached to the RCI.
 - ii. Replacement of stale/spoiled checks in the hands of the payees or holders in due course shall only be processed upon submission of the stale/spoiled checks to Coast Guard Accounting Service Office (CGASO). Processing of replacement check shall be in accordance with the existing policies and procedures.
 - iii. Unreleased Commercial Checks shall be prepared by the cashier for submission to the CGASO.
- E. MDS Check shall only be released to the payee or to its authorized personnel provided that an authorization letter with a copy of any valid government Identification (ID) is presented.
- F. Since LBP designate a cut-off time, receipt of LDDAP-ADA and ACIC after said time shall be considered submission on the following day.
- G. Consistent with accounting and auditing rules and regulations, the NGAs are reminded to require their creditors to issue Sales Invoice as evidence of receipt of payment through LDDAP-ADA and ACIC.
- H. The ACIC shall be pre-numbered consecutively, i.e., without gaps, within a calendar year.
- I. Documentary requirements must be complete and duly signed by authorized signatories. Otherwise, it will be returned to sender/ concerned offices.
- J. Payment of MDS check shall be made in accordance with existing laws, rules and regulations.



8. PROCEDURES

- A. Coast Guard Finance Service (CGFS) Duty Office Watch shall receive the duly signed DV with complete attachments, which shall be forwarded to MDS Section Encoder.
- B. MDS Section Encoder, Management Branch, CGFSU shall check and ensure the completeness and correctness of data being encoded in the MDS database based on the received DV.
- C. MDS Section Encoder, Management Branch, CGFSU shall print the dummy check with the following details:
- i. Date;
 - ii. Payee;
 - iii. Amount in figures;
 - iv. Amount in words; and
 - v. UACS Code.
- D. Commanding Officer/ Executive Officer/ OIC, Management Branch, CGFSU shall ensure the accuracy of data on the printed dummy check prior printing on MDS Check.
- E. MDS Section Encoder shall print the MDS Check and forward to Commander, CGFS for signature on the MDS Check, duplicate copy and dummy check.
- F. Authorized signatory shall countersign the MDS Check, duplicate copy and dummy check based on the amount of disbursement as shown below:

Authorized Signatories	Amount
1. Commandant, PCG	Php 1,000,000.01 and above
2. Deputy Commandant for Operations, PCG	Php 500,000.01 to Php 1,000,000.00
3. Deputy Commandant for Administration, PCG	Php 75,000.01 to Php 500,000.00
4. Chief of Coast Guard Staff, PCG	Php 0.01 to Php 75,000.00

- G. Upon completion of the signatures on the MDS Check, MDS Section Encoder, Management Branch, CGFSU shall check the completeness of the signatures on the MDS Check and encode necessary data in the EMDS database.
- H. Commanding Officer/ Executive Officer/ OIC, Management Branch, CGFSU shall ensure the accuracy of encoded data and shall approve the MDS Check on the EMDS.

- I. MDS Section Encoder/ Authorized Personnel shall print the approved ACIC.
- J. MDS Section Encoder shall forward the ACIC for signature and countersignature to the following:
 - i. Commanding Officer, CGFSU/ Executive Officer, CGFSU/ OIC, Management Branch, CGFSU (EMDS Authorizer); and
 - ii. Commander, CGFS
- K. MDS Section Encoder shall forward the ACIC and its attachments to the Liaison, and the MDS check shall be forwarded to the Teller Section personnel.
- L. Liaison, CGFSU shall log and forward the ACIC and its attachments to LBP for crediting.
- M. Teller Section personnel, Management Branch, CGFSU shall release the MDS Check upon verification of the authorized claimant.
- N. The claimant/payee shall affix his/her signature and date received on the space provided to acknowledge the receipt of payment in the BOX E of DV.

9. RESPONSIBILITIES

A. Commander, CGFS

- i. Shall be the authorized signatory on the MDS Check, duplicate copy of MDS Check, and dummy check; and
- ii. Shall be the authorized counter signatory of the ACIC.

B. Commanding Officer/ Executive Officer/ OIC, Management Branch, CGFSU

- i. Shall ensure the correctness and accuracy of the data encoded on the dummy check;
- ii. Shall ensure the accuracy of the encoded data on EMDS;
- iii. Shall approve the MDS Check; and
- iv. Shall be the authorized signatory of printed ACIC.

C. MDS Section Encoder/ Authorized Personnel

- i. Shall ensure the completeness of signatures on the DV and the correctness of data prior encoding to MDS database for monitoring;
- ii. Shall prepare the dummy check before printing the MDS check;

- iii. Shall encode and print the ACIC on EMDS; and
- iv. Shall be the authorized signatory of printed ACIC.

D. Teller Section, Management Branch, CGFSU

- i. Shall require the supplier or end user to issue an "Invoice", "Charge Invoice", "Credit Invoice", "Billing Invoice", "Service Invoice" or any name describing the transaction before the preparation of ACIC.
- ii. Shall hand over to the supplier the corresponding BIR Form 2307 issued by the CGASO in lieu of the Invoice;
- iii. Shall ensure that the supplier/payee signed the DV and the monitoring logbook upon receipt of checks; and
- iv. Shall release the MDS Check only to the authorized claimant.

E. Duty Office Watch

- i. Shall receive the duly signed Disbursement Voucher (DV) with stamped NCA number from the Deputy Chief of Coast Guard Staff for Comptrollership, CG-6 with complete documentary requirements/ attachments and shall forward same to the MDS Section Encoder.

10. RESCISSION CLAUSE

All SOPs, policies and provisions of existing regulations that are inconsistent with the provisions of this SOP are hereby amended or rescinded as the case may be.

11. EFFECTIVITY

This SOP shall take effect fifteen (15) days after publication.

BY COMMAND OF ADMIRAL GAVAN PCG:

OFFICIAL:

HOSTILLO ARTURO E CORNELIO
RADM PCG
Chief of Coast Guard Staff


JAYSIEBELL B FERRER
CDR PCG
Coast Guard Adjutant

Annex:

A – Process Flow of the Disbursement through Modified Disbursement System (MDS) check

Annex A

Process Flow of the Disbursement through Modified Disbursement System (MDS) check

ACTIVITY	PERSON/ BRANCH RESPONSIBLE	DETAILS/FUNCTIONS	INTERFACE
Receiving of Disbursement Voucher	- CGFS Office Watch	- CGFS Duty Office Watch shall receive the duly signed Disbursement Voucher (DV) with complete attachments and shall be forwarded to MDS Section Encoder.	- Signed DV (with stamped NCA number) - Supporting Documents
Encoding of DV	- MDS Section Encoder, Management Branch	- Shall check and ensure the completeness and correctness of data being encoded in the MDS database based on the received DV.	- Signed DV (with stamped NCA number) - Supporting Documents
Dummy Check Preparation	- MDS Section, Management Branch, CGFSU	- Shall print the dummy check with the following details: i. Date ii. Payee iii. Amount in figures iv. Amount in words v. UACS Code	- Dummy Check - Signed DV - Supporting Documents
Checking of Dummy Check	- CO/ EX-O/ OIC, Management Branch, CGFSU	- Shall ensure the accuracy of data on the printed dummy check prior printing on MDS Check.	- Dummy Check - Signed DV - Supporting Documents
Printing of MDS Check	- MDS Section Encoder	- Shall print the MDS Check and forward to C, CGFS for signature on the MDS Check, duplicate copy, and dummy check.	- MDS Check - Dummy Check - Signed DV - Supporting Documents

<p style="text-align: center;">↓</p> <div style="border: 1px solid black; padding: 5px; text-align: center; margin: 10px auto; width: 80%;"> Countersigning of authorized signatory </div> <p style="text-align: center;">↓</p>	<p>- O/CCGS, O/DCA, O/DCO, O/CPCG</p>	<p>- Authorized signatory shall print the MDS Check, duplicate copy, and dummy check based on the amount of disbursement as shown below: CCGS- PHP 0.01 to PHP 75,000 DCA- PHP 75,000.01 to PHP 500,000 DCO- PHP 500,000.01 to PHP 1,000,000.00 CPCG - PHP 1,000,000.01 and above</p>	<p>- MDS Check - Dummy Check - Signed DV - Supporting Documents</p>
<p style="text-align: center;">↓</p> <div style="border: 1px solid black; padding: 5px; text-align: center; margin: 10px auto; width: 80%;"> Checking the completeness of signature and encoding data in EMDS database </div> <p style="text-align: center;">↓</p>	<p>- MDS Section Encoder, Management Branch, CGFSU</p>	<p>- Shall check the completeness of signatures of MDS Check and encode necessary data in EMDS database.</p>	<p>- MDS Check - Dummy Check - Signed DV - Supporting Documents</p>
<p style="text-align: center;">↓</p> <div style="border: 1px solid black; padding: 5px; text-align: center; margin: 10px auto; width: 80%;"> Approval of MDS Check on the EMDS </div> <p style="text-align: center;">↓</p>	<p>- CO/ EX-O/ OIC, Management Branch, CGFSU</p>	<p>- Shall ensure the accuracy of encoded data and shall approved the MDS Check on the EMDS.</p>	<p>- Signed MDS Check - Signed DV - Supporting Documents</p>
<p style="text-align: center;">↓</p> <div style="border: 1px solid black; padding: 5px; text-align: center; margin: 10px auto; width: 80%;"> Printing of ACIC </div> <p style="text-align: center;">↓</p>	<p>- MDS Section Encoder/ Authorized Personnel</p>	<p>- Shall print the approved ACIC</p>	<p>- Signed MDS Check - Signed DV - Supporting Documents</p>
<p style="text-align: center;">↓</p> <div style="border: 1px solid black; padding: 5px; text-align: center; margin: 10px auto; width: 80%;"> Signing of ACIC </div> <p style="text-align: center;">↓</p>	<p>- MDS Section Encoder</p>	<p>- Shall forward the ACIC for signature and counter signature to the following: a. Commanding Officer/ Executive Officer/ OIC, Management Branch, CGFSU-Port Area b. Commander, CGFS</p>	<p>- Printed ACIC - Duplicate copy of MDS Check</p>

<div style="border: 1px solid black; padding: 5px; text-align: center;">Forwarding of ACIC and MDS Check</div> <div style="text-align: center;">↓</div>	<p>- MDS Section Encoder</p>	<p>- Shall forward the ACIC and its attachments to the Liaison and the MDS Check shall be forwarded to Teller Section Personnel.</p>	<p>- Printed ACIC - Duplicate copy of MDS Check</p>
<div style="border: 1px solid black; padding: 5px; text-align: center;">Log and forward of ACIC to LBP</div> <div style="text-align: center;">↓</div>	<p>- Liaison, CGFSU</p>	<p>- Shall log and forward the ACIC and its attachments to LBP for crediting.</p>	<p>- Printed ACIC - Duplicate copy of MDS Check</p>
<div style="border: 1px solid black; padding: 5px; text-align: center;">Releasing of MDS Check</div> <div style="text-align: center;">↓</div>	<p>- Teller Section Personnel, Management Branch, CGFSU</p>	<p>- Shall release the MDS Check upon verification of the authorized claimant.</p>	<p>- MDS Check (release) - Official Receipt (obtain if commercial or remittances)</p>
<div style="border: 1px solid black; padding: 5px; text-align: center;">Affixing signature</div> <div style="text-align: center;">↓</div>	<p>- Claimant/Payee</p>	<p>- Shall affix his/her signature and date received on the space provided</p>	<p>- MDS Check (release) - Official Receipt (obtain if commercial or remittances)</p>
<div style="border: 1px solid black; border-radius: 50%; padding: 10px; text-align: center; width: 50px; margin: 0 auto;">END</div>			