

COMMISSION ON AUDIT CIRCULAR NO. 82-177 March 4, 1982

TO : All Heads of Ministries, Bureaus and Offices of the National Government; Managing Heads of Government-Owned and/or Controlled Corporations; Boards and Commissions; Chief Accountants/Corporate Treasurers; Provincial Governors, City/Municipal Mayors; COA Managers/Regional Directors, All Auditors, Heads of Auditing Units and Others Concerned.

SUBJECT : Prohibition against advance payment on government contracts.

For the information and guidance of all concerned, quoted hereunder is Section 88 of Presidential Decree No. 1445, otherwise known as the Government Auditing Code of the Philippines:

"SECTION 88. Prohibition against advance payment on government contracts. – (1) Except with the prior approval of the President (Prime Minister) the government shall not be obliged to make an advance payment for services not yet rendered or for supplies and materials not yet delivered under any contract therefor. No payment, partial or final, shall be made on any such contract except upon a certification by the head of the agency concerned to the effect that the services or supplies and materials have been rendered or delivered in accordance with the terms of the contract and have been duly inspected and accepted.

(2) Notwithstanding the foregoing paragraph, any government agency, with the approval of the proper department head, may furnish supplies and materials to any party who has a contract with that agency if the supplies and materials are needed in the performance of the services being contracted for the value thereof does not exceed in any one month ten percent of the value of the services already rendered, due and unsettled as computed by the agency concerned."

All concerned should see to it that payment shall be made only after services or supplies and materials had been rendered or delivered, duly inspected and accepted as certified by the head of the agency concerned, except in cases where advance payment was previously authorized by the President.

In this regard, attention is invited to C1 4, Implementing Rules and Regulations for Government Infrastructure Projects, quoted hereunder, authorizing advance payment for infrastructure project and which may be allowed as an exemption from the above quoted provision:

"C1 4 ADVANCE PAYMENT FOR MOBILIZATION EXPENSES

For major and urgent projects as defined in C1 7, within fifteen (15) days from the date the contractor commenced work on the project, the

Government as it consider fair and reasonable, allow advance payment to the contractor fifteen percent (15%) of the total contract price against an irrevocable standby letter of credit from a bank acceptable to the Government to cover the cost of mobilizing his equipment to the job site which advance payment shall be repaid by the contractor by deducting from his monthly progress payments such sum to be determined by the Government until fully liquidated. The first refund of the advance payment shall be done when the contract price or three (3) months after the date of notice to commence work whichever comes first and further refunds shall be done thereafter at monthly intervals. The contractor may reduce his standby letter of credit by the amounts refunded by the Monthly Certificates in the advance payment."

Please be guided accordingly.

(SGD.) SILVESTRE D. SARMIENTO, Commissioner
(SGD.) FRANCISCO S. TANTUICO, JR., Acting Chairman