



FEB 03 2005

DepED ORDER
No. 4, s. 2005

CREATION OF A DEPED PROVIDENT FUND SINKING FUND
AND ITS OPERATIONAL GUIDELINES

To: Undersecretaries
Assistant Secretaries
Bureau Directors
Regional Directors
Directors of Services/Centers and Heads of Units
Schools Division/City Superintendents

1. Pursuant to Resolution Nos. 3 and 8, s. 2004 of the National Board of Trustees of the DepED Provident Fund, a sinking fund is hereby created and its operational guidelines are hereby issued.
2. The sinking fund aims to improve the collection efficiency of the regional offices and the Central Office by writing off the bad debts or doubtful accounts that are being incurred by these offices in the course of implementing the Provident Fund. It also aims to eventually eliminate the requirement of a co-maker who is usually and unjustly made to shoulder the burden of paying the outstanding loan obligations of the principal borrower in the event of the latter's untimely separation from the service.
3. Effectivity of the sinking fund shall be June 1, 2004.
4. Enclosed are the operational guidelines for the sinking fund, including the priorities and procedures for its application.
5. Immediate and wide dissemination of this Order to all concerned is desired.


FLORENCIO B. ABAD
Secretary

Encl.: As stated
Reference: DepED Order: No. 12, s. 2004
Allotment: 1—(D.O. 50-97)
To be indicated in the Perpetual Index under the following subjects:

FUNDS

RULES & REGULATIONS

Madel:c:sinking fund
1-31-05

GUIDELINES FOR THE SINKING FUND
OF THE DepED PROVIDENT FUND

Rationale / Purpose

Through the years of program implementation, the regional offices of the Provident Fund have been incurring bad debts or loans in default which are basically outstanding loan balances of borrowers who have been separated/retired from the service due to death or having been totally or partially disabled/incapacitated rendering him/her unable to engage in any form of productive activity. These loans in default have adversely affected the collection efficiency of the regional offices which consequently has a negative effect on their performance in implementing the Provident Fund.

The creation of the sinking fund seeks to address this problem being experienced by the regional offices and the Central Office. Generally, this fund aims to improve the collection efficiency by writing off bad debts or doubtful accounts. In the long run, the sinking fund also aims to eliminate the requirement of a co-maker who is usually and unjustly made to shoulder the burden of the outstanding loan obligations of the principal borrower in the event of the latter's untimely separation from the service.

Definition of Terms

The following terms shall be defined as follows in the context of these guidelines:

1. Sinking Fund – refers to a fund to be set aside by the National Board of Trustees from where funds to write off bad debts or doubtful accounts of regional offices and the Central Office, shall be drawn.
2. Total/Partial Disability – Total/Partial loss or damage to a physical function of an employee resulting from an illness or accident which hinders him/her from performing his/her work and engaging in any form of production activity.
3. Outstanding Loan Balance – refers to the unpaid principal amount of the Provident Fund loan at the time of the borrower's separation from the service due to death or total/partial disability

Operational Requirements

1. Fund Source and Management of the Sinking Fund

- 1.1 The sinking fund shall be sourced from the total amount of the allocation for the Provident Fund that will be distributed to the regional offices and the Central Office. Initially, the seed money of the fund shall be ten percent (10%) of the allocation derived from the service fees collected in CY 2003 that has been transferred to the Provident Fund. Thereafter, ten percent (10%) or a percentage set by the National Board of Trustees of subsequent allocations/releases for the Provident Fund shall be set aside for the sinking fund.

- 1.2 The sinking fund shall be placed in a high yield account at the Philippine Veterans Bank, Camp Aguinaldo Branch. A current account shall be maintained with the minimum amount of deposit and maintaining balance wherein payments from the sinking fund will be coursed through. However, the National Board of Trustees may, in the future, decide on another government depository bank for the sinking fund.
- 1.3 The management of the sinking fund shall be entrusted to the National Board of Trustees and it shall be managed and administered at the national level.

2. Priority in the Application of the Sinking Fund

In the application of the sinking fund, the following prioritization shall be observed:

- 2.1 death of the borrower
- 2.2 bad debts resulting from the employee's separation from the service due to total/partial disability

3. Requirements

Each division/regional office, as well as the Central Office, shall submit the duly accomplished form for application of the sinking fund, together with the following applicable supporting documents:

3.1 Death of a Borrower

- a) Original/certified true copy of death certificate of the deceased borrower
- b) Certification from regional/division office on the amount of outstanding loan balance of the deceased borrower

3.2 Separation from the Service Due to Total/Partial Disability

- a) Medical Certificate (original copy) indicating therein the nature, description and prognosis of the medical doctor on the employee's total/partial disability
- b) Approved retirement documents including the clearance from property and money accountabilities and other pertinent documents
- c) Notarized statement of the employee indicating therein his/her incapacity to engage in a productive activity as his/her means of earning a living
- d) Certification from the employee's immediate supervisor of the employee's total/partial disability/incapacity and from the regional/division office that the borrower has been separated from the service due to total/partial disability
- e) Certification from regional/division office on the amount of outstanding loan balance of the deceased borrower

4. Procedures

- 4.1 If the borrower is a teacher/employee under the division office, the division secretariat shall submit the duly accomplished form for application of the sinking fund certified by the Division Superintendent, together with the applicable supporting documents to the Regional Board of Trustees, through the Regional Provident Fund Secretariat.
- 4.2 The application form and supporting documents shall be screened and evaluated by the regional secretariat. If all documents are in order, the same shall be forwarded to the Chairman of the Regional Board of Trustees who shall recommend approval to the National Board of Trustees.
- 4.3 For borrowers under the regional office, the form and supporting documents shall be prepared by the Regional Secretariat and forwarded to the Chairman of the Regional Board of Trustees for endorsement to the National Board of Trustees.
- 4.4 For borrowers in the Central Office, the National Secretariat shall prepare the form and supporting documents and forward the same to the National Board of Trustees.
- 4.5 All application forms for the sinking fund that are recommended for approval by the Regional Board Chairman shall be submitted to the National Secretariat which shall in turn conduct a preliminary evaluation of the same in terms of completeness of supporting documents and compliance with the requirements and procedures. Thereafter, the Secretariat shall endorse such requests to the Chairman and Vice-Chairman of the National Board recommending approval of the same.
- 4.6 The signed form with the pertinent documents shall be submitted to the Commission on Audit (DepED Resident Auditor) for approval.
- 4.7 Upon approval, the Secretariat shall coordinate with the Accounting Division to facilitate payment to write off the bad debt/doubtful account of the concerned regional office/Central Office.
- 4.8 The Accounting Division shall prepare the necessary documentation to effect the transfer of the specific amount from the high yield account to the current account. Payments shall be drawn from the current account and shall be made payable to the region's Provident Fund for which an official receipt shall be issued by the regional chapter.

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(Enclosure No. 2 to DepED Order No. 4, s. 2005)

Republic of the Philippines
DEPARTMENT OF EDUCATION
DepED PROVIDENT FUND - REGION _____
 (Office Address)

APPLICATION FORM FOR SINKING FUND

This is to certify that the amount of _____ (P _____) being applied for the sinking fund covers the outstanding balances of the following borrowers:

Name	Office/School Division	Reason for Separation from Service	Total Amount of Loan	Total Amount of Payments Made	Date of Last Amortization	Outstanding Balance	Remarks
1							
2							
3							
4							
5							
TOTAL							
DIVISION SECRETARIAT Prepared by: _____ Noted by/Certified: _____ Head, Division Secretariat		REGIONAL SECRETARIAT Prepared by / Noted by: _____ Head, Regional Secretariat Noted by: / Certified Correct: _____ Chair, Regional Board of Trustees CENTRAL OFFICE SECRETARIAT Head, Secretariat		NATIONAL BOARD OF TRUSTEES _____ _____ _____ _____ _____ _____		Recommending Approval Vice-Chair, Nat'l Board of Trustees Chair, Nat'l Board of Trustees COA APPROVAL	

2 *[Signature]*

[Signature]