



NOV 06 2009

DepEd MEMORANDUM
No. **489**, s. 2009

REVISED AUTOMATIC PAYROLL DEDUCTION SYSTEM (APDS) GUIDELINES ON
ACCREDITATION/RE-ACCREDITATION OF INSURANCE COMPANIES, MUTUAL
BENEFITS ASSOCIATIONS, COOPERATIVES/ASSOCIATIONS
AND OTHER ORGANIZATIONS AUTHORIZED BY LAW

To: Undersecretaries
Assistant Secretaries
Bureau Directors
Directors of Services/Centers and Heads of Units
Regional Directors
Schools Division/City Superintendents
Heads, Public Elementary and Secondary Schools
All Others Concerned

1. For the information and guidance of all concerned, the Revised Automatic Payroll Deduction System (APDS) Guidelines on the Accreditation/Re-Accreditation of Insurance Companies (ICs), Mutual Benefits Associations (MBAs), Cooperatives/Associations and Other Organizations Authorized by Law offering insurance, Mutual Aid System (MAS) and savings deposit business to DepEd teachers and personnel is hereby issued (copy enclosed).
2. The DepEd Central Office, through the Office of the Undersecretary for Finance and Administration shall receive applications together with the necessary documents for accreditation/re-accreditation from November 15, 2009 to January 15, 2010.
3. Immediate dissemination of this Memorandum is desired.



JESLI A. LAPUS
Secretary

Encl.:

As stated

Reference: DepEd Memorandum: No. 318, s. 2004

Allotment: 1- -(D.O. 50-97)

To be indicated in the Perpetual Index
under the following subjects:

ACCREDITATION
POLICY

SALARY
SCHOOLS

Department of Education

REVISED AUTOMATIC PAYROLL DEDUCTION SYSTEM (APDS) GUIDELINES ON ACCREDITATION/RE-ACCREDITATION OF INSURANCE COMPANIES, MUTUAL BENEFIT ASSOCIATIONS,¹ COOPERATIVES/ASSOCIATIONS AND OTHER ORGANIZATIONS AUTHORIZED BY LAW

I. DEPARTMENT POLICY

1. The grant of automatic payroll deduction for insurance premia, mutual aid system (MAS) membership and savings deposit offered to Department of Education (DepEd) employees (e.g. the assignment of an insurance or a MAS deduction code) is a privilege extended by the DepEd and not as a matter of right to be invoked by any party.
2. The DepEd shall regulate the use of its automatic payroll deduction system to protect and secure its employees' welfare and well-being. Specifically, this shall translate into:
 - 2.1 Accreditation/re-accreditation of insurance companies and Mutual Benefit Associations (MBAs), cooperatives/associations and other organizations specifically authorized by law to make deductions from the salaries of government employees (particularly DepEd employees). Such organizations shall be duly registered with the proper government regulators²
 - 2.2 Prevention and/or elimination of illegal and unauthorized deductions from DepEd employees' salaries.
3. Accreditation/Re-accreditation shall be granted to entities, as defined and enumerated under 3.1.1, that agree to abide with these specific guidelines, with reference to the following:
 - 3.1 Legal existence and license of entities to operate as granted by appropriate government agencies/offices.
 - 3.1.1 "entities" shall include the following:

¹ A Mutual Benefit Association is an institution regulated by government whose business is to offer members (e.g. DepEd teachers and personnel) financial assistance (other than lending) in case of death, hospitalization, retirement, etc.

² Government regulators include the Securities and Exchange Commission (SEC), Bangko Sentral ng Pilipinas (BSP), Insurance Commission (IC) and the Cooperative Development Authority (CDA).

- a) Duly licensed insurance companies, pursuant to Section 40 of the General Provisions of General Appropriations Act (GAA) for FY 2009 and Section 21 of R.A. 4670 otherwise known as The Magna Carta for Public School Teachers;
- b) Mutual benefits associations duly operating under existing laws which are managed by, and for the benefit of, government employees not covered by compulsory membership in the GSIS, pursuant to Section 40 of the General Provisions of GAA for FY 2009;
- c) Associations/cooperatives organized and managed by government employees for their benefit and welfare, pursuant to Section 40 of the General Provisions of GAA for FY 2009 and RA 9520 (Philippine Cooperative Code of 2008);
- d) Non-Stock Savings and Loan Associations pursuant to Section 40 of the General Provisions of GAA for FY 2009 and Section 7 of R.A. 8367, otherwise known as the Revised Non-Stock Savings and Loan Association Act of 1997; and
- e) Thrift Banks pursuant to Section 40 of the General Provisions of GAA for FY 2009 and R.A. 7906 (Thrift Bank Act of 1995).

3.2 Full transparency in reporting operations and financial status.

3.3 Other conditions set forth in the MOA.

4. Entities participating in the APDS shall be subject to the following service fees which shall be collected by the Department of Education (central, region, division and schools with fiscal autonomy) and deposited to its Trust Receipt Account in the National Treasury:

4.1 For insurance companies and thrift banks = Three percent (3%) of amount remitted/collected; One percent (1%) for policy loan

4.2 For associations/cooperatives, non-stock savings and loan associations, and mutual benefits associations = One percent (1%) of amount remitted/collected

II. ACCREDITATION/RE-ACCREDITATION COVERAGE

1. The revised guidelines shall apply to all entities identified under Item 3.1.1 aspiring to participate in the automatic payroll deduction system (APDS) at the national, regional, division, district and school levels. Entities whose MOAs have been extended shall not be exempted from re-accreditation.

(Enclosure to DepEd Memorandum No. 489, s. 2009)

2. A centralized accreditation/re-accreditation system shall be implemented with the assignment of "one (1) main deduction code and a maximum of three (3) sub-codes," as the case may be, authorized and assigned by the Office of the Secretary only through execution of an APDS-MOA, pursuant hereof.
3. Accreditation/re-accreditation shall be valid for a period of two (2) years from the date of the signing of the APDS-MOA by the Secretary.

III. REQUIREMENTS FOR ACCREDITATION/RE-ACCREDITATION

1. The applicants for APDS accreditation/re-accreditation must submit the following original or duly certified photocopies of the documents issued by the appropriate regulatory agency:
 - 1.1 For Securities and Exchange Commission (SEC) registered entities:
 - a) Certificate of Incorporation/Registration
 - b) Articles of Incorporation and By-laws as well as Amendments, if any
 - c) Latest General Information Sheet
 - d) Secondary License from the Insurance Commission (IC), in case of entity offering insurance services
 - e) Latest company or organization profile (to include services or products offered to DepEd employees)
 - 1.2 For Insurance Companies (in addition to the required documents from SEC):
 - a) Certificate of Registration
 - b) Certificate of Authority
 - c) Latest company or organization profile (to include services or products offered to DepEd employees, duly approved by IC)
 - 1.3 For Banks (in addition to the required documents from SEC)
 - a) Certificate of Authority
 - b) Certification from Bangko Sentral ng Pilipinas (BSP) as to the classification of the bank
 - c) Latest company or organization profile (to include services or products offered to DepEd employees)
 - 1.4 For Cooperative Development Authority (CDA) Registered Cooperatives/Organizations:
 - a) Certificate of Registration
 - b) Latest Annual Performance Report

(Enclosure to DepEd Memorandum No. 489, s. 2009)

- c) Certification of Good Standing intended for DepEd APDS Accreditation/Re-accreditation purposes (original copy)
- d) Latest organization profile (to include services or products offered duly approved by CDA)
- e) Operations Manual or Implementing Guidelines for those offering *Damayran* Fund, Voluntary “*Abuluyan*” System or other related services
- f) Secondary License certified by IC, for those offering insurance services

1.5 Additional documents required to all applicants:

- a) Letter of Intent signed by the President/Chief Executive Officer
- b) Curriculum vitae/bio-data of corporate directors and officers with latest ID pictures³
- c) In case of cooperative/association, a certification from its President/Chairman that its organization is organized and managed by government employees.
- d) Audited financial statements for the last two (2) preceding years duly stamped received by the BIR.⁴
- e) Income Tax Return for the last two (2) preceding years (Years 2007 and 2008) duly stamped received by the BIR
- f) BIR Certificate of Registration
- g) Addresses and landline/contact telephone numbers of the main and all field offices (if any)
- h) Business Permit intended for insurance/MAS/ savings deposit purposes of all offices/branches
- i) Copy of proof of ownership of office/s or Contract of Lease thereon

2. Entities accredited/re-accredited by DepEd shall not be allowed to avail of the APDS Program in the Region where they have no office/branch.

2.1 “Office” shall be defined as a fully equipped physical site of transaction, inside a building or commercial structure, with local business permit, proper sign board, has a full-time manager and staff who shall maintain complete records/documents and attend to insurance/MAS/savings deposit transactions and queries/complaints of DepEd employees.

³ Must submit Accomplished Form 212 for government officials/employees

⁴ For fiscal years 2007 and 2008. The audited financial statements for FY 2008 must be filed with the Department of Education by 30 June 2008 and for subsequent years, the same must be filed on or before the end of January for the immediately preceding year, or within fifteen (15) days after the filing of Income Tax Return (March or April of the year)

- 2.2 In cases where re-accredited entity whose Office ceased to exist in certain regions, no new billing/business shall be entertained by the Payroll Services Division (PSD) or the concerned Regional Payroll Services Unit (RPSU). However, existing deduction shall still be serviced only up to six (6) months from the time of the validation by the Regional APDS Task Force of the non-existence of the office. Within the next two (2) months after the findings, the DepEd PSD/RPSU shall notify the concerned DepEd employees on the stoppage of deductions of their insurance premia/MAS membership/ savings deposit.
3. Insurance companies offering policy loans must abide with the existing DepEd APDS policy for private lending institutions.

IV. PROCEDURES ON ACCREDITATION/RE-ACCREDITATION

1. All entities aspiring to participate in the APDS must file a Letter of Intent together with the required supporting documents addressed to the Office of the Secretary, through the Office of the Undersecretary for Finance and Administration. The acceptance of application shall be within two (2) months upon publication/posting of these guidelines through DepEd issuances and the DepEd website at www.DepEd.gov.ph.
2. The Office of Undersecretary for Finance and Administration through the designated APDS Technical Working Group (TWG) shall review and evaluate the submitted documents as well as validate the existence of the applicant's office with the assistance of the Regional APDS Task Force.
3. The Secretary, on the basis of the recommendation of Undersecretary for Finance and Administration, may approve or disapprove the application. If approved, a corresponding APDS-MOA shall be executed by and between the Department Secretary and the President or the duly authorized representative of the entity. A Certificate of Accreditation shall be issued to the entity after the execution of the APDS-MOA.
4. The Office of the Undersecretary for Finance and Administration shall inform the concerned party of the disapproval of its application.
5. The Central and Regional APDS Task Forces shall periodically monitor the compliance with the terms and conditions of the APDS-MOA by the accredited/re-accredited entities.

V. EFFECT OF NON RE-ACCREDITATION AND CANCELLATION OF THE ACCREDITATION

1. The non-reaccredited entity shall not be allowed to transact **new business under APDS**. The DepEd however, shall continue servicing the collection of existing deductions already incorporated in the payroll system within six (6) months from the date of the termination of the MOA and remit the same to the entities concerned. Within sixty (60) calendar days from the said termination, the DepEd shall notify the concerned DepEd employees on the stoppage of deductions of their insurance premia/MAS membership/ savings deposit.
2. In case of revocation of the Certificate of Authority/Registration of the entity by the IC/SEC/CDA, the DepEd shall automatically terminate the APDS-MOA upon receipt of written notice of revocation from the appropriate government regulating agency. Consequently, deductions shall be immediately stopped. The DepEd shall not be accountable to the entity's members by reason of the termination of its APDS-MOA hereof.

VI. GROUNDS FOR SUSPENSION/CANCELLATION/ REVOCATION OF APDS-MOA

1. The following acts are considered offenses which shall be grounds for the suspension, revocation, cancellation or termination of the Certificate of Accreditation and the APDS - MOA (See Annex A):
 - 1.1 Transfer, sale, or any act of assignment of the APDS deduction code
 - 1.2 Piggy-backing (accredited entity allowing the use of the APDS Code in favor of other unaccredited entity)
 - 1.3 Non-disclosure of the Cancellation of CDA/SEC/IC/BSP registration
 - 1.4 Unauthorized or illegal deductions
 - 1.5 Unauthorized deductions not refunded within thirty (30) days upon receipt of the complaint from the DepEd teacher/personnel
 - 1.6 Non-submission of Annual Income Tax Return
 - 1.7 Non-submission of Annual Audited Financial Statement
 - 1.8 Non-submission of required documents such as the policy contract, Application for Membership and original copy of Authority to Deduct signed by DepEd members during spot checking
 - 1.9 Failure to provide duly certified Statement of Account upon request of DepEd members
 - 1.10 Submission of false/fraudulent/grossly negligible documents
 - 1.11 Non- Compliance of the terms and conditions of the MOA
 - 1.12 Execution of another MOA with any unauthorized DepEd official

2. In addition, the **immediate revocation** of the MOA with the entity shall be made if the latter is found, after proper investigation, to have employed any malicious and defamatory imputation against the official acts of DepEd employees in connection with the implementation of DepEd APDS.
3. Offenses arising from violation of these guidelines as reported by the Regional APDS Task Force to the DepEd Central Office shall be investigated or determined by a Committee that may be designated by the DepEd Secretary in an appropriate memorandum.

VII. STOPPAGE OF DEDUCTIONS

1. The DepEd shall stop the deductions for insurance premia/MAS/savings deposit upon receipt of written request of the DepEd member. DepEd shall then notify the codeholders of such stoppage.

VIII. POLICY ON COMPLAINTS

1. Complaint arising from any violation of the grounds for suspension/cancellation/revocation mentioned above should be sufficient in form and substance (i.e. complaint must be in writing containing the names and addresses of the complainants and the entity or person complained of, the acts or omissions complained of constituting the violation, based on the personal knowledge of the complainant, and the complaint is verified under oath), which shall serve as a basis for an investigation by a committee in an appropriate DepEd Memorandum.
2. The venue of civil actions arising from violation of the terms and conditions of the MOA shall be under the exclusive jurisdiction of the courts of Pasig City.
3. No penalties/fines/surcharges due to lapses/delays of payments shall be imposed/charged against concerned DepEd members for failure on the part of the entity to pick up remittance checks after proper notice. Effectivity of payment for insurance premia/mutual aid system memberships shall always be based on the Abstract of Deductions as provided by the DepEd.
4. No penalties/fines/surcharges shall be charged to DepEd members due to the withholding of remittance of their deductions, as a result of the imposition of sanctions as provided hereof.

Grounds for Suspension and/or Cancellation/Revocation of Insurance/MAS Code and its Corresponding Sanctions

Grounds	Violated Provision in the MOA	Classification of Violation
1 Non-submission of required documents such as the policy contract, Application for Membership and original copy of Authority to Deduct signed by DepED members during spot checking	3.4 and 7.1.8	Less Grave
2 Non-issuance of policy contract within one (1) month after the initial receipt of remittance for the new DepED member	3.3	Light
3 Failure to abide with the existing DepED policy for private lending institutions on the imposition of interest and non-interest rates on policy loans.	3.7	Less Grave
4 Sharing office and personnel with other accredited company/organization	3.8	Less Grave
5 Office/branch has been transferred to other location but the DepED Regional/Central Office is not informed for purposes of updating the Annex C of the MOA	3.8	Light
6 Physical Office/branch as reported in the Annex C of the APDS-MOA ceased to exist/cannot be located	3.8	Light
7 No business permit on the succeeding year	3.10.4	Less Grave
8 Entity is merged with other company without updating the <u>Regional</u> /Central Office	4.4	Less Grave
9 Transfer, sale, or any act of assignment of the APDS deduction code	7.1.1	Grave
10 Piggy-backing (Accredited entity allowing the use of the APDS Code in favor of other unaccredited entity)	7.1.2	Grave
11 Non-disclosure of the Cancellation of <u>CDA/SEC/IC/BSP</u> registration	7.1.3	Grave
12 Unauthorized/Illegal deductions	7.1.4	Grave
13 Unrefunded erroneous deductions after due notice	7.1.5	Grave
14 Non-submission of Annual Income Tax Return	7.1.6	Grave
15 Non-submission of Audited Financial Statements	7.1.7	Grave
16 Failure to provide duly certified Statement of Account upon request of DepED members.	7.1.9	Less Grave

Grounds for Suspension and/or Cancellation/Revocation of Insurance/MAS Code and its Corresponding Sanctions

Grounds	Violated Provision in the MOA	Classification of Violation
17 Submission of false/fraudulent/grossly negligent documents	7.1.10	Grave
18 Gross violation of the MOA	7.1.11	Grave
19 Execution of another MOA with the unauthorized DepED official	7.1.12	Grave
20 Any malicious and defamatory imputation against DepED APDS members as a tactic by entity to force or to prevent the Department from further refining and upgrading the APDS Clean-up Program	7.1.13	Grave