



Laws and Rules on Government Expenditures and Disbursements

GRANTING AND UTILIZATION OF CASH ADVANCES

1 May 2019

PAGBA 2019 2nd Quarterly Seminar
May 1-4, 2019
Crown legacy Hotel, Baguio City

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Learning Objectives:

- Review rules and regulations on the-
 - a. granting, utilization and liquidation of cash advances; and
 - b. Bonding of an accountable officer



Rationale for the Use of Cash Advance System

- It has been recognized as a facilitative tool in the financial operations of the government



Cash Advances

- Granting
- Utilization
- Liquidation

- ❖ Section 89 of PD 1445
- ❖ Section 76 of 2017 GAA
- ❖ COA Circular 97-002 dated February 10, 1997
- ❖ COA Circular 2009-002 dated May 18, 2009
- ❖ COA Circular 2012-001 dated June 14, 2012

Sec. 89 PD 1445 - Limitations on cash advance

No cash advances shall be given unless for a **legally authorized specific purpose**.

A cash advance shall be reported on and liquidated as soon as the purpose for which it was given has been served.

No additional cash advance shall be allowed to any official or employee unless the previous cash advance given to him is first settled or a proper accounting thereof is made.



Sec. 78 of GAA FY 2018

- cash advances shall not be granted until such time the earlier cash advance availed of by the officials or employees concerned shall have been liquidated

Sec. 78 GAA 2018

- The head of the agency and the COA Auditor shall be jointly responsible for the preparation and submission to the Speaker of the House of Representatives, the President of the Senate of the Phil., the House Committee on Appropriations and the Senate Committee on Finance, either in printed form or by way of electronic document, the Annual Report on Cash Advances

Sec. 78 GAA 2018

- The Annual Report on Cash Advances -
 - the names of the recipients
 - items of expenditures for which said cash advances were disbursed, and
 - the dates of liquidation as reflected in the Agency Books of Accounts

Types of Cash Advances

(Sec. 3, COA Circular No. 97-002)

1. **Regular Cash Advance** - those granted to cashiers, disbursing officers, paymasters, and/or property/supply officer
2. **Special Cash Advance** - those granted on the explicit authority of the Head of the Agency only to duly designated disbursing officers or employees for other legally authorized purposes

Purposes of Regular Cash Advances

- Salaries and wages
- Commutable allowances
- Honoraria and other similar payments to officials and employees
- Petty operating expenses consisting of small payments for maintenance and operating expenses which cannot be paid conveniently by check or are required to be paid immediately



Purposes of Special Cash Advances

- Current operating expenditures of the agency field office or of the activity of the agency undertaken in the field when it is impractical to pay the same by check, such as:
 - salaries, wages, and allowances
 - maintenance and other operating expenses



Purposes of Special Cash Advances

- Travel expenditures including transportation fare, travel allowance, hotel room/lodging expenses and other expenses incurred by officials and employees in connection with official travel



Granting of Cash Advances

Documentary requirements common to all cash advances, except for travels

- Authority of the AO issued by the HOA indicating the maximum accountability and purpose of cash advance (initial)
- Approved application for bond and/or Fidelity Bond for the year for accountability of P5,000 or more (Treasury Circular 02-2009 dated August 6, 2009)
- Certification from the Accountant that previous cash advance have been liquidated and accounted for in the books


Granting of Cash Advances

Documentary requirements for CA -
Payroll Fund, Wages, Allowances,
Honoraria and other Similar Expenses

- Approved Appointments/Contracts (for initial payment)
- Approved payroll or list of payees indicating their net payments
- Approval/authority or legal basis to pay any allowance/salaries/wages/fringe benefits




Guidelines - Granting and Utilization of CAs


-  No cash advance shall be given unless for a **legally specific purpose**;



Guidelines - Granting and Utilization of CAs


 No additional cash advance shall be allowed to any official or employee unless the previous cash advance given to him is first settled or a proper accounting thereof is made

Guidelines - Granting and Utilization of CAs



A cash advance shall be reported on as soon as the purpose for which it was granted has been served;


Guidelines - Granting and Utilization of CAs

 Only permanently appointed officials shall be designated as disbursing officers. Elected officials may be granted a cash advance only for their official travelling expenses;

Guidelines - Granting and Utilization of CAs

- Only duly appointed or designated disbursing officers may perform disbursing functions. Officers and employees who are given cash advances for official travel need not be designated as Disbursing Officers

Guidelines - Granting and Utilization of CAs


-  Transfer of cash advance from one Accountable Officer to another shall not be allowed

Guidelines - Granting and Utilization of CAs

■ The cash advance shall be used solely for the legal specific purpose for which it was granted

■ Under no circumstance shall it be used for encashment of checks or for liquidation of a previous cash advance

Guidelines - Granting and Utilization of CAs

-  The Budget Officer shall obligate all cash advances granted. He shall see to it that cash advances for a particular year are not used to pay expenses of other years.

Guidelines - Granting and Utilization of CAs

Cash given to the Disbursing Officer shall be limited to the amount needed for the payroll fund and for the specific/special projects.

- Amount of personal services = net amount of the payroll payable for one pay period
- Current operating expenses of activity = two months requirements

Guidelines - Granting and Utilization of CAs


- Supporting documents to the DV:
 - copy of the designation by the Agency Head (initial CA)
 - copy of the approved application for bond (initial CA)
 - payroll or list of payees with their net payments

Petty Cash Fund

- A Petty Cash Fund is established which shall be used for miscellaneous expenditures which could not be conveniently paid by check
- Amount of PCF to be set up shall be sufficient for the recurring petty operating expenses for one month
- The PCF shall be maintained under the imprest system. Disbursements from the fund shall be through the Petty Cash Voucher (PCV) which shall be duly approved.



Guidelines - Granting and Utilization of CAs

 The establishment of PCF shall be supported with the following documents:

- * copy of authority by the Agency Head (initial CA)
- * copy of the approved application for bond (initial CA)
- * estimate of expenses

Liquidation of CA

(Sec. 1.2.1, COA Circular No. 2012-001)

Payroll Fund

- Report of Disbursements certified correct by the AO
- Approved payrolls/vouchers duly acknowledged by payees
- approved DTRs
- approved application for leave
- Authority from the claimant and IDs
- Duly verified/accepted accomplishment report (job order)
- OR (refund of unpaid salaries/wages)
- Other documents as required by the nature of the expense



Liquidation of Cash Advances

Documentary requirements (General thru ATM)

- Payroll (salaries, wages, RATA, honoraria, monetization, PIB, etc.)
- Payroll Register
- Letter to the bank to credit employees' account, if thru ATM
- Validated deposit slip, if applicable

Liquidation of CA

(Sec. 1.2.2, COA Circular No. 2012-001)

Petty Cash Fund

- Summary of Petty Cash Vouchers
- Report of Disbursements
- Petty Cash Replenishment Report
- Approved purchase request with certificate of Emergency Purchase, if necessary
- Bills, receipts, sales invoices
- Certificate of inspection and acceptance
- Report of Waste Materials, in case of replacement/repair
- Other documents as required by the nature of the expense



Liquidation of CA

(Sec. 1.2.2, COA Circular No. 2012-001)

Petty Cash Fund

- Canvass from at least three suppliers for purchases
- Summary/Abstract of Canvass
- Petty Cash Vouchers duly accomplished and signed
- OR in case of refund
- For reimbursement of toll receipts
 - toll receipts
 - vehicles trip tickets

Guidelines - Liquidation of CAs

The AO shall liquidate his cash advance as follows:

Salaries,
wages,
etc.

within five (5) days after
each fifteen day/end
of the month pay
period



Guidelines - Liquidation of CAs

The AO shall liquidate his cash advance as follows:

Petty Cash Fund

within twenty (20) days after the end of the year, subject to replenishment as frequently as necessary during the year.



Guidelines - Liquidation of CAs

The AO shall liquidate his cash advance as follows:

Official
Travel

Foreign travel - within sixty (60) days after return to the Philippines

Local travel - within thirty (30) days after return in his POS



Guidelines - Liquidation of CAs

- Cash advances granted for travel shall be accounted for as "Due from Officers and Employees" (subject to liquidation upon travel completion)

Guidelines - Liquidation of CAs

- The **Liquidation Report** shall be submitted to the Accounting Unit for the preparation of the Journal Entry Voucher (JEV)
- The excess cash shall be refunded to the Collecting Officer who shall issue the Official Receipt (OR) therefor



Guidelines - Liquidation of CAs

Failure of the *AO* to liquidate his cash advance within the prescribed period shall constitute -

- a valid cause for the withholding of his salary; and
- the institution of other sanctions as provided for under existing laws and rules



Guidelines - Liquidation of CAs

1. The AO shall prepare the Report of Disbursement (RoD) in 3 copies and submit same with duly accomplished vouchers/ payrolls and supporting documents to the Accountant

Guidelines - Liquidation of CAs

2. The AO shall ensure that receipt of the RoD is properly acknowledged by the Accountant.
3. He shall be deemed to have complied with the requirement of proper accounting for the cash advance **upon the receipt by the Accountant** of the liquidation documents.



Guidelines - Liquidation of CAs

4. Within 10 days after receipt of the report and supporting documents, the Accountant shall verify the report, record it in the books and submit documents to the Auditor.



Guidelines - Liquidation of CAs

5. The cash advance shall be considered liquidated upon the recording of the RoD by the Accountant in the books of accounts, although not yet audited by the COA Auditor.



Guidelines - Liquidation of CAs

6. When a cash advance is no longer needed or had not been used for a period of two (2) months, it must be returned or refunded immediately to the collecting officer.



Guidelines - Liquidation of CAs

7. All cash advances shall be fully liquidated at the end of each year.
8. Except for the PCF, the AO shall refund any unexpended balance to the Cashier/ Collecting Officer who issue the necessary Official Receipt.



Responsibility of Agency Head

(Sec. 8, COA Circular No. 97-002)

“It shall be the responsibility of the Head of the Agency to ensure the proper granting, utilization and liquidation of all cash advances in accordance with these rules and regulations”

Responsibility of the Accountant

(only in cases of travel cash advance pursuant to Circular 96-004)

1. The accountant shall retain a copy of the travel advance voucher and the itinerary of travel. He shall keep an index of the cash advances made by each official/employee and shall monitor the liquidation of the said cash advances;

Responsibility of the Accountant

(only in cases of travel cash advance pursuant to Circular 96-004)

2. In addition, the Accountant shall:

a. Send within ten (10) days before the expiration of the 30 or 60 days period specified under Section 16, of EO 248, a written reminder under signature of the head of the agency or his duly authorized representative, enjoining the official or employee concerned to liquidate his travel cash advance. This is to preclude complaints arising from suspension of salaries due to non-liquidation of travel advances.

Responsibility of the Accountant

(only in cases of travel cash advance pursuant to Circular 96-004)

- b. Delete the name of the official or employee from the subsequent payrolls until such time that the travel cash advance has been fully liquidated, if the official or employee concerned fails to liquidate the cash advance within the prescribed period.

Responsibility of the Accountant

(only in cases of travel cash advance pursuant to Circular 96-004)

- c. Verify the liquidation voucher and supporting documents, and record the same in the books of accounts, subject to the post audit by the auditor

Notice to Liquidate

- a written reminder under the signature of the head of the agency or his duly authorized representative, enjoining the official/employee concerned to liquidate his travel cash advance

- Failure on the part of the Accountant to send a notice to liquidate & subsequently suspend salary, in case the concerned employee fails to liquidate the cash advance within the prescribed period, may constitute violations of which can be a ground for administrative and criminal actions.

COA Circular No. 96-004

Duties & Responsibilities of the COA Auditor

1. Upon failure of the AO to liquidate his cash advance within two (2) months for AOs holding office within the station and three (3) months for AOs outside the station from date of grant of the cash advance, the Auditor shall issue a letter demanding liquidation or explanation for non-liquidation;

Duties & Responsibilities of the COA Auditor

2. If thirty (30) days have elapsed after the demand letter is served and no liquidation or explanation is received or the explanation is not satisfactory, the Auditor shall advise the head of the agency to cause or order the withholding of the payment of any money due the AO;

Duties & Responsibilities of the COA Auditor

3. The AO shall likewise be held criminally liable, for failure to settle his accounts.

Duties & Responsibilities of the COA Auditor

The Auditor shall:

- a. Execute an Affidavit stating the following:
 - nature/ purpose of the cash advance;
 - amount not liquidated/accounted for;
 - the fact that no liquidation or explanation has been submitted despite demand or if explanation has been submitted, the same is not satisfactory;
 - date the letter of demand was served on or received by AO; and
 - other information which may be pertinent to the case;



Duties & Responsibilities of the COA Auditor

- b. State in the affidavit the violation of the provisions of Section 89 of PD 1445 and the penal provisions under Section 128 of the same law;
- c. The affidavit shall be submitted to the COA Director concerned who shall refer the case to the appropriate Office of the Ombudsman, if the offense is committed in the regions or to the COA Legal Office for the filing of criminal proceedings, if the offense is committed within the Metropolitan Manila Area (97-002, Item 9.3)

BONDING OF ACCOUNTABLE OFFICERS

1 May 2019

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Bonding of AOs

Every accountable officer shall be properly bonded in accordance with law.

(Sec. 101 (2) of PD 1445)



Bonding of AOs

An official/employee who has both money and property accountability shall be bonded only once to cover both accountabilities.



Bonding of AOs

The amount of the bond shall be based on the total accountability of the AO as determined by the HOA which shall not exceed
P100,000,000.00

(5.1 -Treasury Circular No. 02-2009 dated August 6, 2009 - Revised Omnibus Regulations Governing Fidelity Bonding of Accountable Public Officers Pursuant to the Public Bonding Law)

Amount of Bond -

- 75% of the total cash accountability and shall not exceed P5,000,000.00
- 30% of total value of property accountability
- 10% of total value of accountable forms

(Annex C -Treasury Circular No. 02-2009 dated August 6, 2009 - Revised Omnibus Regulations Governing Fidelity Bonding of Accountable Public Officers Pursuant to the Public Bonding Law)



Bond Premium

- The premium of a fidelity bond shall be one and one half percent (1.5%) of the amount of bond but not less than P150.00
- The premium shall be paid for one full year equivalent to twelve months The premium shall be paid for one full year equivalent to twelve months



Procedures for Bonding of AOs

1. Applicant submits to BTr PO the Request Form and Application Form (Notarized)
 - 2 passport sized ID pictures (within the last 3 months)
 - Latest SALN
 - List of Bondable AOs certified by the Officer in Charge
2. BTr PO shall assess compliance and if applicant is determined to be a safe and conservative risk, issue the ATAP
3. Applicant pays bond premium to the AGDB and submits copy of validated deposit slip and ATAP to the BTR PO
4. BTr PO transmits bond application to RD

Renewal - fidelity bond shall be renewed before the expiration of the bond

- ✓ list of bonded AOs subject for renewal
- ✓ Certification that bond applicant has no pending administrative and/or criminal case
- ✓ Copy of latest BTr approved bond/Confirmation Letter
- ✓ Latest sworn SALN



Increase in Accountability - subject to increase in premium

Application Form

- ✓ Special Order increasing the amount of accountability
- ✓ of bonded AOs certified by authorized officer
- ✓ Previous assigned risk number cancelled and a new one issued



Bonding of Accountable Officers

Approved fidelity bond

- upon payment of premium
- is valid for one year
- non-transferable
- personal to the AO



Bond Cancellation -

- HOA submits written request for bond cancellation for any cause accompanied by the Request Form
- Limits the liability of the Fidelity Fund to the transactions within the period covered up to the time of cancellation
- The bond premium paid shall not be transferrable and not refundable



Need for Bonding of AOs

- For the faithful performance of all duties imposed upon them by law
- Faithful accounting of all funds and properties in their possession, custody or control



Availability of Fidelity Fund

- for replacing defalcations, shortages, unrelieved losses in the accounts of AOs
- For payment of fees and costs incident to civil proceedings brought against AOs to recover sums paid on their account from said Fund



Claims against the Fidelity Fund

- Application from relief from accountability for loss of funds or property
 - If granted, shall relieve the agency from responsibility
 - If not, agency may file claim for reimbursement from the Fidelity Fund to the extent of the approved bond covered or amount of loss whichever is lower



Claims against the Fidelity Fund

- Claim filed due to denied relief from accountability
 - Filed as money claim with COA, copy furnished the BTr
 - if approved, agency shall file a claim for payment from the Fidelity Fund with the BTr
 - BTr shall process the claim in accordance with existing budgeting, accounting and auditing rules and regulations



Claims against the Fidelity Fund

Documents to support Claim - defalcation, shortages and unrelieved losses

- COA findings and recommendation on the defalcation, shortages and unrelieved accountability
- Latest SALN of the bonded AO
- Proof of current and subsisting bond and payment of premium
- Other documents as may be required by the BTr



Clarifications or Questions



thank you

