

COMMISSION ON AUDIT CIRCULAR NO. 97-002
February 10, 1997

TO : All Heads of Departments, Bureaus, Offices, Agencies and Instrumentalities of the National Government, Heads of Local Government Units, Managing Heads of Government-Owned Or Controlled Corporations, including their Subsidiaries, COA Directors, COA Auditors, and All Others Concerned.

SUBJECT : Restatement with amendments of the rules and regulations on the granting, utilization and liquidation of cash advances provided for under COA Circular No. 90-331 dated May 3, 1990.

1. RATIONALE

The resort to the cash advance system despite certain problems has been recognized as a facilitative tool in the financial operations of the government. There is therefore a need to continually update the pertinent regulations in order to provide for a more efficient and effective control over the granting, utilization and liquidation of cash advances.

2. GENERAL PRINCIPLES

Ideally, cash should be handled under the general principles of the imprest system, to wit:

1. Daily receipts on collections must be deposited intact with the proper bank.
2. All payments must be made by check.
3. Only payments in small amounts may be made through the petty cash fund. Replenishment of the petty cash fund shall be equal to the total amount of expenditures made there from.

In practice, however, there are certain instances when it may be very difficult, impractical or impossible to make payments by check. In such a case, payments may be made by the disbursing officer in the form of cash through his cash advance.

3. DEFINITIONS AND SCOPE

Cash Advance shall be of two types, namely, the regular cash advances, and the special cash advances.

- 3.1 Regular cash advances are those granted to cashiers, disbursing officers, paymasters, and/or property/supply officers for any of the following purposes:
 - 3.1.1 Salaries and Wages
 - 3.1.2 Commutable allowances

- 3.1.3 Honoraria and other similar payments to officials and employees
- 3.1.4 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.
- 3.2 Special cash advances are 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, as follows:
 - 3.2.1 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
 - 3.2.2 Travel expenditures, including transportation fare, travel allowance, hotel room/lodging expenses and other expenses incurred by officials and employees in connection with official travel.

4. GRANTING AND UTILIZATION OF CASH ADVANCES

- 4.1 General Guidelines
 - 4.1.1 No Cash advance shall be given unless for a legally specific purpose.
 - 4.1.2 No additional cash advances 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.
 - 4.1. A cash advance shall be reported on as soon as the purpose for which it was given has been served.
 - 4.1.4 Only permanently appointed officials shall be designated as disbursing officers. Elected officials may be granted a cash advance only for their official traveling expenses.
 - 4.1.5 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.
 - 4.1.6 Transfer of cash advance from one Accountable Officer (AO) to another shall not be allowed.
 - 4.1.7 The cash advance shall be used solely for the specific legal 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.
 - 4.1.8 The Accountant shall obligate all cash advances granted. He shall see that cash advances for a particular year are not used to pay expenses of other years.
- 4.2 Salaries, Wages, Allowances, Honoraria and Other Similar Payments
 - 4.2.1 The cash advance shall be equal to the net amount of the payroll for a

pay period.

4.2.2 The cash advance shall be supported by the following documents:

- Copy of designation by the Agency Head in case the AO is not a disbursing officer by appointment (attachment to initial cash advance)
- Copy of approved application for bond (attachment to initial cash advance)
- Payroll or list of payees with their net payments

4.3 Petty Operating Expenses

4.3.1 The cash advance shall be sufficient for the recurring expenses of the agency for one month. The AO may request replenishment of the cash advance when the disbursements reach at least 75%, or as the need requires, by submitting a replenishment voucher with all supporting documents duly summarized in a report of disbursements.

4.3.2 The cash advance shall not be used for payment or regular expenses, such as rentals, subscriptions, light and water and the like. Payments out of the cash advance shall be allowed only for amounts not exceeding ₱15,000.00 for each transaction, except when a higher amount is allowed by law and/or specific authority by the Commission on Audit. Splitting of transactions to avoid exceeding the ceiling shall not be allowed.

4.3.3 The cash advance shall be supported by the following documents:

- Copy of authority by the Agency Head (attachment to initial cash advance)
- Copy of approved application for bond (attachment to initial cash advance)
- Estimate of expenses

4.4 Field/Activity Current Operating Expenses (COE)

4.4.1 The special cash advance shall be used to pay the salaries and wages of the employees and the miscellaneous operating expenses of the activity. Payment for each transaction shall not be subject to amount limitation. However, all payments shall be approved by the Director/Head of Field Office.

4.4.2 The amount of the cash advance shall be limited to the requirements for two months. Within 5 days after the end of each month, the AO shall submit a Report of Disbursements. Additional cash advances shall be granted on the basis of the activity budget or the requirements for two months, whichever is lower.

4.4.3 The cash advance shall be supported by the following documents:

- Copy of authority by the Agency Head (attachment to initial cash advance)
- Copy of approved application for bond (attachment to initial cash advance)

- Budget for COE of the Agency field office or agency activity in the field.

4.5 Official Travel

- 4.5.1 The grant of cash advance for both official local and foreign travel shall be governed by the provisions of COA Circular No. 96-004 dated April 19, 1996.

5. LIQUIDATION OF CASH ADVANCES

5.1 The AO shall liquidate his cash advance as follows:

- 5.1.1 Salaries, Wages, etc. - within five (5) days after each fifteen (15) day/end of the month pay period.
- 5.1.2 Petty Operating Expenses and Field Operating Expenses - within twenty (20) days after the end of the year; subject to replenishment as frequently as necessary during the year.
- 5.1.3 Official Travel - within sixty (60) days after return to the Philippines in the case of foreign travel or within thirty (30) days after return to his permanent official station in the case of local travel, as provided for in EO 248 and COA Circular No. 96-004.

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 instruction of other sanctions as provided for under paragraphs 9.2 and 9.3 hereof.

- 5.2 The AO shall prepare the Report of Disbursements (using Gen. Form No. _____) in three (3) copies and submit the same with duly accomplished vouchers/payrolls and supporting documents to the Accountant. For payments based on receipts and invoices only, he shall also prepare a liquidation voucher which shall be submitted with the report and supporting documents to the Accountant. He shall ensure that receipt of the report is properly acknowledged by the Accountant. The AO 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 referred to above.

- 5.3 Within ten (10) days after receipt of the report and supporting documents from the AO, the Accountant shall verify the report, record it in the books and submit the same with all the vouchers/payrolls and supporting documents to the Auditor. The cash advance shall be considered liquidated upon the recording thereof by the Accountant in the books of accounts although not yet audited by the COA auditor.

- 5.4 Within thirty (30) days from receipt of the report and supporting documents from the Accountant, the Auditor shall complete the audit. He shall issue the corresponding Credit Notice to the AO to inform the latter of the amount allowed in audit and any suspensions and/or disallowances made. In case of disallowance, a copy of the Credit Notice shall be furnished the Accountant who shall record the restoration of the cash advance for the amount disallowed. The amount allowed in audit by the Auditor as contained in the Credit Notice shall be deemed to have been settled.

- 5.5 The AO shall submit to the Auditor the documents to settle his

suspensions/disallowances. When the documents are found in order, the Auditor shall lift the suspension and/or issue another Credit Notice for the settled disallowance, copy furnished the Accountant who shall draw a Journal Voucher to record the credit to the cash advance. In case of cash settlement, the AO shall present the necessary Official Receipt to the Auditor for notation.

- 5.6 The Credit Notice issued by the Auditor to the AO shall be deemed sufficient compliance with the requirements of COA Circular No. 94-001 dated January 20, 1994 (Prescribing the Manual on Certificate of Settlement and Balances, Revised 1993).
- 5.7 When a cash advance is no longer needed or has not been used for a period of two (2) months, it must be returned to or refunded immediately to the collecting officer.
- 5.8 All cash advances shall be fully liquidated at the end of each year. Except for petty cash fund, the AO shall refund any unexpended balance to the Cashier/Collecting Officer who will issue the necessary official receipt.
- 5.9 At the start of an ensuing year, a new cash advance may be granted, provided that a list of expenses against the previous cash advance is submitted. However, when no liquidation of the previous cash advance is received on or before January 20, the Accountant shall cause the withholding of the AO's salary.
- 5.10 The following reports and documents are required to support the liquidation:
 - 5.10.1 Salaries, Wages, etc. - Report of Disbursements with all duly signed payrolls and/or vouchers and all pertinent supporting documents, such as daily time records, approved leaves of absence, etc.
 - 5.10.2 Petty Operating Expenses
 - Report of Disbursements with supporting documents
 - Approved Requisition and Issue Voucher with the Certificate of Emergency Purchase, if necessary
 - Receipts, sales invoices
 - Certificate of Acceptance/Inspection
 - Duly approved trip ticket, if for gasoline
 - Such other supporting documents as are required by the nature of the expense
 - 5.10.3 Current Operating Expenditure
 - Same requirements as those for salaries, wages, etc. and petty operating expenses, supra.
 - Canvass of at least three suppliers (Not required if purchase is made while on official travel)
 - 5.10.4 Official Travel
 - documents required to support the liquidation of cash advance for official travel, both foreign and local, shall be as specified under COA Circular No. 96-004.

6. HANDLING, CUSTODY AND DISPOSITION OF THE CASHBOOK

- 6.1 A newly-appointed or designated AO shall start with a new cashbook. Before discharging his duties, the new AO shall be briefed by the Accountant and the Auditor on the proper recording of the transactions and other matters related to his work.
- 6.2 The AO shall maintain separate cashbooks for salaries, wages, allowances, etc. and for petty operating expenses. The AO shall record the transactions in the prescribed cashbook daily. He may record each invoice/ receipt/voucher individually or the total disbursements for the day depending on the volume of the transactions.
- 6.3 The AO shall reconcile the book balance with the cash on hand daily. He shall foot and close the books at the end of each month. The AO and the Accountant shall reconcile their books of accounts at least quarterly.
- 6.4 The cashbooks shall be kept at the Office of the AO and then placed inside the safe or cabinet when not in use. It may be taken from his custody only by the Auditor or an official duly authorized by the Agency Head, who shall issue the necessary receipt.
- 6.5 When the AO ceases to be one, the cashbook shall be submitted to the Accountant or the Treasurer (for local government units) and shall form part of the accounting records. No clearance shall be issued to an AO if he fails to submit the cashbook as required.

7. BONDING OF ACCOUNTABLE OFFICERS

- 7.1 Each accountable officer with a total cash accountability of ₱2,000.00 or more shall be bonded. The amount of bond shall depend on the total accountability of the officer as fixed by the Head of the Agency. An official or employee who has both money and property accountability, shall be bonded only once to cover both accountabilities, but the amount of the bond shall be in accordance with the Schedule.
- 7.2 The bonding requirements are as follows:
 - 7.2.1 Appointment and/or designation as accountable officer;
 - 7.2.2 Written character references by at least three officials of the Agency one of whom is the Administrative and/or Legal Officer, other than the official who appointed/ designated him.
 - 7.2.3 Statement of assets and liabilities as of the end of the preceding year;

The foregoing documents shall be submitted, together with the application for bond, to the Fidelity Bond Division of the Bureau of the Treasury.
- 7.3 When the accountability is increased, the Accountant shall ensure that additional bond is applied for.

7.4 When the AO ceases to be one, the Accountant shall immediately inform the Fidelity Bond Division of such cessation.

7.5 The amount of bond necessary for the cash accountability of the AO shall be in accordance with the schedule of cash accountability and bond issued by the Bureau of the Treasury.

8. RESPONSIBILITY OF THE AGENCY HEAD

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

9. DUTIES AND RESPONSIBILITIES OF THE COA AUDITOR

9.1 The Auditor shall periodically evaluate the accountability of the AO and recommend reduction of the cash advance if found excessive.

9.2 Cash Examination

9.2.1 The Auditor shall conduct an examination of the accountability of each AO at least once every semester or as existing regulations of the COA require.

9.2.2 The Auditor shall demand the presentation by the AO of his cashbook, cash and cash items for examination. Failure by the AO to have duly forthcoming any public funds with which he is chargeable, upon demand by the Auditor shall be prima facie evidence of misappropriation.

9.2.3 The Auditor shall exclude from among the cash items presented any accommodation checks, "vales", IOUs, chits or other forms of promissory notes and should not accept them as credit to the account.

9.2.4 The Auditor shall at once demand in writing the production of the missing funds at the moment the shortage or loss is discovered and established. The granting of a grace period for the restitution is not allowed by law.

9.2.5 The Auditor shall submit the cash examination report, together with all the working papers/ evidences disclosing the shortage, to the Provincial/City Auditor (if the offense is committed in an LGU) or to the COA Director concerned for the filing of criminal proceedings in accordance with COA Memorandum No. 83-81B, COA Memorandum No. 90-660 and paragraphs 3.1 and 3.2 of COA Memorandum No. 95-112 dated December 26, 1995.

9.3 During periods where no cash examination is conducted.

9.3.1 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.

9.3.2 If thirty (30) days have elapsed after the demand letter is served and no liquidation or explanation is received, or the explanation received 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.

9.3.3 The AO shall likewise be held criminally liable, for failure to settle his accounts. For this purpose the Auditor shall:

9.3.3.1 Execute an affidavit stating the nature/purpose of the cash advance; the 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; the date the letter of demand was served on or received by AO; and other information which may be pertinent to the case.

9.3.3.2 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, both of which are herein quoted in full to wit:

"Section 89. Limitations on Cash Advance. - No cash advance 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."

"Section 128. Penal Provision. - Any violation of the provisions of Sections xx 89, xx of this code or any regulation issued by the Commission implementing these sections, shall be punished by a fine not exceeding one thousand pesos or by imprisonment not exceeding six (6) months, or both such fine and imprisonment in the discretion of the court." (Underscoring ours).

9.3.3.3 The affidavit shall be submitted to the COA Director concerned who shall refer the case to the appropriate Office of the Deputy 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, in accordance with paragraphs 3.1.1 and 3.2, respectively, of COA Memorandum No. 95-112 dated December 26, 1995.

10. COVERAGE

This Circular shall cover only cash advances granted to officials and employees of an agency and shall not apply to funds transferred from a Source Agency to an Implementing Agency. The rules and regulations on the granting, utilization and liquidation of funds transferred from a Source Agency to an Implementing Agency are stated in COA Circular No. 94-013 dated December 13, 1994.

11. REPEALING CLAUSE

All Circulars, Memoranda, rules, regulations and other issuances inconsistent herewith are hereby repealed, amended or modified accordingly.

This Circular shall take effect five (5) days after its publication in the Official Gazette or newspaper of general circulation.

(Sgd.) CELSO D. GAÑGAN
Chairman

(Sgd.) ROGELIO B. ESPIRITU
Commissioner

(Sgd.) SOFRONIO B. URSAL
Commissioner