



Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City, Philippines

CIRCULAR

No.: 2012-004

Date: NOV 28 2012

TO : All Heads of National Government Departments, Bureaus, and Agencies; Provincial Governors, City/Municipal Mayors; Managing Heads of Government-owned and/or Controlled Corporations; All Treasurers, Finance Officers, Regular and Special Disbursing Officers, and Other Accountable Officials of the aforesaid Government Agencies; COA Directors, Regional Directors, and Heads of Auditing Units; and All Others Concerned.

SUBJECT: Demand for Immediate Liquidation and Settlement of All Cash Advances Outstanding as of December 31, 2011

1.0 Rationale

Under existing regulations, cash advances must, as a rule, be liquidated within the prescribed periods depending upon the nature and purpose of the cash advance (e.g., for salaries and wages; petty and field operating expenses; local travel and foreign travel). Included among operating expenses are cash advances for the payment of honoraria and similar payments to officials and employees; operating expenditures for special projects and activities like anniversary celebration; and special purpose and time bound activity like cultural and athletic activities. These must be liquidated within twenty (20) days from accomplishment of the purpose.

2.0 Settlement and Liquidation of Cash Advance

A cash advance is settled and liquidated either by returning the money advanced if unspent, or by the presentation of regularly accomplished vouchers, giving satisfactory detail of the items thereon paid which must be in accordance with the purpose for which the cash advance was granted, and further supported by proper receipts and other evidence of payment, subject to the result of the post-audit thereof by the auditor concerned.

3.0 Primary responsibility of Heads of Agencies

Under Section 2 of Presidential Decree (P.D.) No. 1445, the Government Auditing Code of the Philippines places the responsibility to faithfully take care that

A handwritten signature in black ink, appearing to be "M. S. S.".

1

A large, stylized handwritten signature in black ink, possibly "G. S. S.".

government funds and property be safeguarded from wastage directly with and primarily on the chief or head of the government agency concerned.

4.0 Outstanding amounts of cash advances in government

Audit, however, reveals that unliquidated cash advances in government have reached a staggering sum in the aggregate, and despite repeated demands and requests for liquidation, the advances have remained unliquidated.

5.0 Legal presumption against non-liquidation of cash advance

Article 217 of the Revised Penal Code states in unequivocal terms that: "The failure of a public officer to have duly forthcoming any public funds or property with which he is chargeable, upon demand by any duly authorized officer, shall be *prima facie* evidence that he has put such missing funds or property to personal use."

6.0 Final demand to settle unliquidated cash advance

Wherefore, final notice and demand is hereby made to all concerned to settle and liquidate all outstanding cash advances as of December 31, 2011 on or before January 31, 2013. *Provided, however*, that those who have been issued by the Commission on Audit notice and demand, prior to the issuance of this Circular, to settle and liquidate their cash advances within a specified period, shall do so within the period specified in the said notice.

For purposes of this Circular, an accountable public officer refers to a public officer or employee who, in the discharge of his office, receives money from the government which he is bound to later account for. Transfer, separation or retirement from the government does not operate to discharge the said person from coverage of the definition and corresponding duty to account for the unliquidated advances.

This Circular shall serve as the demand required under appropriate law, rules and regulations to settle the accountable officer's unliquidated cash advance as well as all those who are already separated from the service or have transferred to other agency.

7.0 Duty of Agency officials

On or before December 15, 2012, all heads of government agencies shall disseminate in writing this Circular to all accountable officials and employees within their respective agencies and serve a written notice to and demand settlement of the outstanding cash advances as of December 31, 2011.

The Chief Accountant shall, within the same period, furnish the head of agency and the head of the auditing unit thereat a list of accountable officers with unliquidated and outstanding cash advances.

8.0 Duty of the Commission on Audit

It shall be the duty of the head of the auditing unit/Audit Team Leader in the agency to ensure that the outstanding cash advances are liquidated within the periods



specified above. In addition, he shall evaluate the cash advances of accountable officers to determine compliance with the requirements of pertinent COA rules and regulations and to report violations thereof.

Moreover, the auditors concerned shall report on or before February 28, 2013 to the agency head and to the Director, Fraud Audit and Investigation Office, this Commission, compliance with this Circular including an aging of the cash advance balances of accountable officers in such form showing the purpose of the cash advance and other information required.

The Auditors shall submit to their respective Directors the vouchers and all supporting documents relative to the grant of the unliquidated cash advances copy furnished the Office of the Chairperson, this Commission.

9.0 Consequences of failure to liquidate

9.1 Failure of an accountable officer to liquidate his outstanding cash advance on or before January 31, 2013 shall constitute cause for the filing of malversation charge under Article 217, failure to liquidate cash advance under Article 218, both of the Revised Penal Code or criminal prosecution under Section 128 of P.D. No. 1445.

9.2 The suspension of salaries of erring accountable officers shall be ordered by the auditor concerned to the proper agency official through the head of the Agency.

9.3 Appropriate administrative proceedings shall likewise be instituted.


10.0 Monitoring Compliance

The Assistant Commissioners concerned shall monitor compliance by the auditor under their jurisdiction.

11.0 Effectivity

This Circular shall take effect immediately. All previous issuances by this Commission inconsistent herewith are deemed amended or modified accordingly.

Quezon City, Philippines.


MA. GRACIA M. PULIDO TAN
Chairperson


JUANITO G. ESPINO, JR.
Commissioner


HEIDI L. MENDOZA
Commissioner