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MEMORANDUM

FOR/TO : ALL CONCERNED OFFICIALS AND EMPLOYEES
DENR Central Office

FROM : THE ASSISTANT SECRETARY
Finance, Information Systems and Mining Concerns

SUBJECT : **POLICIES AND GUIDELINES ON THE GRANTING,
UTILIZATION AND LIQUIDATION OF SPECIAL CASH
ADVANCES**

DATE : **JUL 22 2022**

In the CY 2021 Consolidated Annual Audit Report released on July 20, 2022, Audit Observation Memorandum No. 6 under Compliance with Other Legal and Regulatory Requirements, stated that 23% and 16% of the Total Cash Advances granted to the DENR Central Office for the Current and Prior Years respectively remained unliquidated.

In view of the recurring COA Audit Findings on Unliquidated Cash Advances, and in compliance to the recommendations provided by the Internal Audit Service (IAS) in its Internal Audit of the Financial Management System, the Policies and Guidelines on the Granting, Utilization and Liquidation of Special Cash Advances is hereby re-disseminated.

Department Memorandum Order (DMO) No. 2020-2 dated May 4, 2020 was first disseminated on May 8, 2020 through the DENR Webmail and was posted in the Bulletin Board at the Ground Floor Main Lobby.

For information and strict compliance.


ENGR. NONITA S. CAGUIOA



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MEMORANDUM ORDER

No. 2020- 2

FOR/TO : ALL CONCERNED OFFICIALS AND EMPLOYEES
DENR Central Office

FROM : THE UNDERSECRETARY
Legal, Administration, Finance, Human Resources and Information
Systems

SUBJECT : **POLICIES AND GUIDELINES ON THE GRANTING, UTILIZATION
AND LIQUIDATION OF SPECIAL CASH ADVANCES**

DATE : **MAY 04 2020**

I. RATIONALE

Audit findings on cash advances has been a recurring problem as evidenced by Audit Observation Memorandums from CYs 2010 to 2018. There are existing rules and regulations governing cash advances, however, these are not fully observed.

As part of the measures to strengthen the Internal Control System of our agency and to avoid the unnecessary exposure of government resources to risk of loss or misappropriation, the following guidelines are hereby promulgated to govern the granting, utilization and liquidation of Special Cash Advances:

II. GENERAL GUIDELINES

A. Granting of Cash Advance

- A.1 Special cash advance, one of the two types of cash advances, shall be granted on the explicit authority of the Head of Agency only to duly-designated disbursing officers or employees for legally authorized purposes¹ such as the following:
- (1) Operating expenditures for special projects and activities like anniversary celebration; and
 - (2) Special purpose and time bound activity like cultural and athletic activities.²
- A.2 Only permanently appointed officials and employees shall be designated as Special Disbursing Officers (SDOs).
- A.3 No officer or employee shall be granted a cash advance unless he or she is properly bonded in accordance with law or regulations. The amount of cash advance which may be granted shall not exceed the maximum amount covered by the bond.³
- A.4 No additional cash advances shall be allowed to any official or employee unless the previous cash advance given is first settled or a proper accounting thereof is made.⁴

- A.5 Only one disbursing officer shall be assigned/designated for a specific legal purpose. Additional disbursing officers may be assigned/designated for the same purpose only when fully justified by the Secretary.⁵

B. Utilization of Cash Advance

- B.1 Transfer of cash advance from one SDO to another shall not be allowed.
- B.2 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.
- B.3 Purchase of supplies and materials should be strictly aligned and related with the specific event/activity for which the cash advance was granted.
- B.4 Cash advances granted for a particular year shall not be used to pay expenses of other years.

C. Liquidation of Cash Advance by SDOs

- C.1 A cash advance is settled and liquidated either by returning the money advanced if unspent, or by the presentation of regularly accomplished vouchers:
- a) The items thereon paid must be in accordance with the purpose for which the cash advance was granted; and
 - b) It must be supported by proper receipts and other evidence of payment.⁶
- C.2 A cash advance for miscellaneous expenses shall be reported on and liquidated as soon as, but not later than thirty (30) days after the purpose for which it was given has been served.
- C.3 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/Cashier.
- C.4 Agency Officials must strictly enforce the provisions on the liquidation of cash advances.

III. DUTIES OF ACCOUNTANTS

- A. Conduct regular monitoring and analysis of unliquidated cash advances to ensure that they are liquidated within the prescribed period according to nature and purpose.
- B. Accountants must ensure the accuracy, authenticity and correctness of data and submitted documentary requirements prior to booking of liquidation.
- C. Prepare the Schedule of Aging of Unliquidated Cash Advances on a monthly basis and determine the concerned accountable SDOs with unliquidated balances. Furnish the Assistant Secretary for Finance and the Director, Financial and Management Service with the Monthly Report.
- D. The Chief of Accounting Division/Section is hereby authorized to issue:
- a. A written reminder to SDOs ten (10) days before the prescribed period of liquidation ends.
 - b. A Demand Letter requiring the liquidation of the balances after the prescribed period of (30) days.

⁵ COA Circular No. 90-331 dated May 3, 1990

⁶ COA Circular No. 2012-004 dated November 28, 2012

IV. GUIDELINES ON THE TRANSFER OF CASH TO END-USERS⁷ AND CORRESPONDING SANCTIONS FOR NON-LIQUIDATION

There are inevitable cases where cash is transferred by an SDO to the end-user due to the following:

- (1) Distance of/or location of the specific project/activity, such as the Boracay Rehabilitation Project; or
- (2) The SDO cannot personally accompany the end-users in procuring the needed supplies and materials.

In such case, the end-user is responsible to submit to the respective SDOs the complete set of receipts, documentary requirements and other evidence of payment five (5) working days after the receipt of cash advance. Failure to do so shall render the end-user administratively liable.

A. Guidelines for End-users:

- A.1 For purposes of tracing accountability, the SDO shall see to it that the transfer of cash/money to the end-user is duly acknowledged and received.

As stated in Section 63 of Presidential Decree No. 1445, all moneys and property officially received by a public officer in any capacity or upon any occasion must be accounted for as government funds⁸ and government property.

- A.2 Any amount of unused cash advance shall be refunded or returned to the concerned SDO within five (5) working days after the cash advance was received.

- A.3 To avoid delay in liquidation, the SDOs may accompany the end-users when procuring the goods or supplies requested. In such case, it shall be the responsibility of the requesting party to arrange/provide the transportation needed.

- A.4 End-users must observe prudence in proper planning and timing of activities so that the corresponding cash advance granted for the purpose will be utilized hand-in-hand with the implementation of the planned activities.⁹

Unused cash advance, as a result of poor planning, prevents the maximum utilization of cash allocation which could have been used to finance other activities or pay for other valid obligations.

B. Sanctions On End-Users for Failure to Submit the Evidence/Proof of Payment and Return the Unused Cash

The SDOs, being the bonded Accountable Officers, shall facilitate the issuance of the written reminder, memorandum for the withholding of salary and demand letter, as necessary, to the concerned end-users. Failure to submit the pertinent liquidation documents:

- B.1 Within the prescribed period of five (5) working days:

The end-user shall be given a written reminder signed by the Chief, General Services Division (GSD), copy furnished the Head of Office of the concerned end-user;

- B.2 After 20 days from receipt of Cash:

⁷ For purposes of this policy, End-user refers to the accountable public officer or employee who, in the discharge of his office, receives money for a specific authorized purpose, from a duly-designated disbursing officer, which he is bound to later account for.

⁸ "Fund" is a sum of money or other resources set aside for the purpose of carrying out specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations, and constitutes an independent fiscal and accounting entity. (Section 3 of PD 1445)

⁹ As recommended by the COA Auditor in AOM No. 2018-21-101

A memorandum signed by the Director, Administrative Service, withholding the end-user's salary, shall be forwarded to the Personnel Division copy furnished the Accounting Division;

B.3 After thirty (30) days from receipt thereof:

A Demand Letter signed by the Director, Administrative Service citing the sanctions based on Article 217 of the Revised Penal Code and CSC Resolution No. 1200103, shall be issued to the end-user.

V. LEGAL PRESUMPTION AND SANCTIONS AGAINST NON-LIQUIDATION OF SPECIAL CASH ADVANCES

The SDOs and end-users are both accountable for moneys received. The following sanctions shall apply to both:

A. Article 217 of the Revised Penal Code

"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."

B. CSC Resolution No. 12-00103 dated January 12, 2012 amending Section 8, Rule V of CSC Resolution No. 04-0676 dated June 17, 2004

"The failure of an Accountable Officer to render an account in full within the periods prescribed and after formal demand shall constitute the administrative offense of Gross Neglect of Duty punishable by dismissal from the service for the first offense.


Full liquidation/settlement/payment of the subject cash advance outside the given periods shall constitute the offense of Simple Neglect of Duty punishable by suspension from the service for one (1) month and one (1) day to six (6) months for the first offense, and dismissal from the service for the second offense."

C. COA Circular No. 2012-004

"Transfer, separation or retirement from the government does not operate to discharge an accountable public officer from coverage of the definition and corresponding duty to account for the unliquidated advances."

The Assistant Secretary for Finance shall supervise the implementation of this Order.

For information and strict compliance.


ATTY. ERNESTO D. ADOBO JR., *CESO I*