

Chapter 1. Introduction

Sec. 1. Petty Cash Fund

In reference to the audit report and recommendation of Internal Audit Services (IAS) dated March 30, 2015, this “**Policy on Petty Cash Fund (PCF)**” is written to set up the policy and standardize the process flow of PCF from its issuance, disbursement and replenishment, as well as the accountability of PCF Custodian.

Sec. 2. Background

A Petty Cash Fund (PCF) is cash advanced to a designated special disbursing officer to be used for small purchases of goods and services needed in the daily operations of an organization. It is established in order to have an immediate source of cash for the payments of petty operating expenses such as small amounts for the purchases of goods, services and other commodities.

The PCF is maintained under the *imprest system* in accordance with the New Government Accounting System (NGAS). It is handled by a designated PCF Custodian where cash on hand plus unreplenished expenses should be equal to the approved amount of fund. As such, all replenishments are directly charged to the expense account.

In SBMA, the PCF was initially established at the Treasury Department in the amount of P100,000 and the Head Cashier was designated as PCF Custodian for small purchases for goods and services worth up to P2,500 per transaction to facilitate immediate purchase of office supplies, and/or repairs of motor vehicle or equipment but not for regular inventory items for stocking. In the exigency of the service, other departments and offices were authorized in various amounts to maintain separate PCFs.

COA Circular No. 2012-001 dated June 14, 2012 provides among others the following General guidelines and documentary requirements common to all cash advances:

- ✚ Authority of the accountable officer issued by the Head of Agency should indicate the maximum accountability and purpose of cash advance.
- ✚ Transfer of cash advances from one accountable officer to another shall not be allowed. This policy is also stated under Sec. 174.d, Volume I of the Government Accounting and Auditing Manual (GAAM).

Chapter 2. TERMINOLOGIES & DEFINITION

Abstract of Canvass – is the summary of the three (3) canvasses made from suppliers.

Budget Utilization Request (BUR) – is a form accomplished by end user department signed by the requesting Department/Office Head for submission and for certification of FCAD Office Head.

Certificate of Acceptance – this form is from PPMD and is used for purchases of supplies and materials. It should be signed by the purchaser and stamped “Received” by PPMD representative upon presentation of the Official Receipt/ Collection Receipt, Invoice and purchased item for inspection.

Certificate of Completion and Acceptance – this form is signed and inspected by the concerned department/ end-user upon completion of the services.

Collection Receipt – is issued for the payment of goods or products purchased from supplier.

Government Accounting and Auditing Manual (GAAM) – updates and consolidates the rules and regulations on financial management and operation of national government agencies, LGUs, and government-owned or controlled corporations and their subsidiaries.

Inventory Custodian Slip (ICS) – the claimant should attach an ICS of semi-expendable items that is certified by PPMD.

Invoice – may include: Sales Invoice, Whole Sales Invoice, Billing Invoice, etc. (should be BIR compliant/ATP)

New Government Accounting System (NGAS) – is the basic policies and procedures; the new coding system; and financial statements; and illustrative accounting entries to be adopted by all national government agencies effective January 1, 2002.

Official Receipt (OR) – is issued in payment for services rendered.

Property Acknowledgment Receipt (PAR) – is attach for Capital expenditures (Capex) items.

Petty Cash Fund (PCF) – is establish for small purchases for goods and services for extra ordinary items in case of emergency. It should not be used to purchase regular inventory/items for stock.

Petty Cash Voucher (PCV) – is a form issued by the PCF Custodian and shall be approved by authorized officials and signed by the payee to acknowledge the amount received.

Stock Availability Inquiry (SAI) – is a form which should be routed to PPMD to certify inclusion of requested item(s) in APP and confirmation of stock status whether Not in stock (NIS) or Not Carried (NC) and to FPBD to ensure budget funds availability.

Statement of Urgency – is a certification issued by Head of Office/Department in lieu of Canvass and Abstract of Canvass while on official travel.

Transcript of Stenographic Notes (TSN) – is a note issued by a Stenographer from hearing.

Waste Materials Report - this is a report signed by the PPMD inspector and witness to the disposition of parts replaced.

Chapter 3. Guidelines in Granting and Utilizing of PCF

- a. Only permanent employees designated as “Special Disbursing Officer” by the SBMA Chairman and Administrator and covered with fidelity bond issued by the Bureau of Treasury shall be granted PCF.
- b. The PCF shall be used only for the *specific legal purpose* (see Sec. 2) for which it was granted.
- c. The cash advance for PCF shall be sufficient for the petty operating expenses of the department.
Note: Financial Planning & Budget Department (FPBD) shall ensure that the quantity of item (supplies) for procurement is not for more than one (1) month.
- d. The PCF Custodian may request for replenishment of the said fund when the disbursement reach at least 75% or as the need requires.
- e. Transfer of PCF from one (1) Custodian to another shall not be allowed.
- f. No PCF Custodian shall be allowed to handle two (2) PCF at the same time.
- g. The PCF shall not be used for payment of regular expenses such as rentals, subscriptions, light, water and the like.
- h. PCF shall be used exclusively by the concerned SBU, office or department only. Other SBU’s, offices or departments without PCF shall request petty cash from the PCF Custodian at the Treasury Department.

Sec. 3. Threshold/ Limit in the Availment of Cash Advance from PCF

1. For replacement of spare parts
Other Department’s PCF - P5,000
Treasury Department’s PCF – P10,000
2. For Office Supplies
Other Department’s PCF/Treasury Department’s PCF – P2,500
3. For Services/Repairs and Maintenance of Equipment
Other Department’s PCF - P5,000
Treasury Department’s PCF – P10,000
4. Food Provision for Meetings
Other Department’s PCF/Treasury Department’s PCF– P5,000

5. Other Materials

Other Department's PCF - P5,000

Treasury Department's PCF – P10,000

6. Payment for Toll Fees/ Parking Fees

Other Department/ Treasury – Metro Manila Area

Class 1 – For 4 wheels like Car - P500

Class 2 – For 6 wheeler or 7 ft like Coaster – P1,000

Class 3 – For Heavy Equipment like 10 wheeler – P1,500

Other Department/ Treasury – Outside Metro Manila Area

Class 1 – For 4 wheels like Car – P800

Class 2 – For 6 wheeler or 7 ft like Coaster – P1,500

Class 3 – For Heavy Equipment like 10 wheeler – P2,500

Maintenance and Transportation Department shall provide the cash advance for the Toll Fees and Parking Fees of the Drivers they provide on official travels. On the other hand, drivers of other department may request cash advance from the Treasury Department for the same purpose.

Sec. 4. Documentary Requirements for Submission to Accounting Department for Initial Set-up of PCF

- a. Memo request to set up PCF addressed to Office of the Deputy Administrator (ODA) for Finance for review/validation and endorsement for approval by the Administrator. The memo should cite the purpose/justification for setting the PCF, the desired amount and who would be the custodian.
- b. Office Order designating the personnel as Special Disbursing Officer to handle the Petty Cash Fund and stating the purpose and amount of the Fund.
- c. Budget Utilization Request (BUR)

- d. Copy of Bureau of Treasury (BTr) Confirmation letter of fidelity bond of PCF Custodian or memo from Treasury Department to Accounting Department together with proof of payment certifying that the fidelity bond was processed and paid to the BTr.

Sec. 5. Issuance of Petty Cash to requesting Offices/Department

- a. Cash may be drawn from PCF to cover cash advance or reimbursement of the requesting offices/department.
- b. The Petty Cash Voucher (PCV) Form (**Annex A**) shall be submitted to the PCF Custodian to support the request for petty cash.
- c. The PCV shall be accomplished by filling up the following information:
 - + Name of Payee
 - + Date
 - + Department/ Division
 - + Particulars and the purpose of the request
 - + Amount/ Total amount
 - + Authorization portion (to be signed by the Authorized Payee of the department)
 - + Certified portion (to be signed by the Head of the Office/ Department)
 - + Approved portion (to be signed by the Deputy Administrator of the requesting office/ department or higher authority or designated officer in-charge during his/ her absence)

For Cash Advance - the payee should fill up the authorization portion, which indicate that the Treasurer is being authorized to deduct the full amount of the cash advance from the salary of the payee, if the payee failed to comply the following:

- ❖ Submission within five (5) working days the necessary supporting documents for purpose of liquidation.
- ❖ To return within 24 hours to the PCF Custodian the amount received if unable to spend for the indicated purpose or the nature of expenses is different from the requested purposes.

For reimbursement - the payee should fill up completely the PCV, except the Authorization portion, and attach all supporting documents.

- d. For the amount to be drawn/ on invoicing requirement, SBMA is not subject to Value Added Tax (VAT). However, the agency is required to deduct from procurement of

supplies, materials, services, etc. the appropriate Expanded Withholding Tax (EWT) in accordance with Bureau of Internal Revenue (BIR) Revenue Regulation No. 17-2003, Section 3-M, par 1 & 4.

Paragraph 1 (Tax rate)

<i>All goods, e.g. supplies & materials</i>	-	1%
<i>Services</i>	-	2%

Paragraph 4 (Supplier of goods/services)

The term “local/resident supplier of goods” pertains to a supplier from whom any of the top ten thousand (10,000) private corporations, as determined by the Commissioner, regularly makes its purchases of goods. As a general rule, this term does not include a casual purchase of goods, that is, purchases made from non-regular suppliers and oftentimes involving single purchases. However, a single purchase which involves ten thousand pesos (P10,000.00) or more shall be subject to a withholding tax. The term “regular suppliers” refers to suppliers who are engaged in business or exercise of profession/calling with whom the taxpayer-buyer has transacted at least six (6) transactions, regardless of amount per transaction, either in the previous year or current. The same rules apply to local/resident supplier of services other than those covered by separate rates of withholding tax.

Non-compliance with invoicing requirement, the related tax consequences will be shouldered personally by the payee.

In case the supplier or service provider is Subic Bay Freeport (SBF) Enterprise with CRTE, the company is not subject to EWT.

Sample of Invoice:

- a. For Non-VAT Supplier – **Annex B**
- b. For VAT Supplier – **Annex C**
- c. For Supplier of Services – **Annex D**

Sec. 6. Documentary Requirements for the Grant of Cash Advance from PCF

PCV Number shall be assigned by the PCF Custodian upon liquidation of petty cash advances or payment of the reimbursement with applicable supporting documents depending on the transaction type as follows:

1. Purchases for replacement of spare parts

- PCV with complete data and signature
- Stock Availability Inquiry (SAI)
- Technical Evaluation
- Work authorization and related documents
- Vehicle/ Equipment Maintenance Service Request Form
- Original copy of Canvass from at least three (3) suppliers
- Summary/ Abstract of Canvass

2. Purchases of Office Supplies and Other Materials

- PCV with complete data and signature
- Stock Availability Inquiry (SAI)
- Approved Purchase Request (PR) with certificate of Emergency Purchase
- Original copy of Canvass from at least three (3) suppliers
- Summary/ Abstract of Canvass

3. Services/ Repairs & Maintenance of Equipment

- PCV with complete data and signature
- Stock Availability Inquiry (SAI)
- Approved PR with certificate of Emergency Purchase
- Technical Evaluation
- Vehicle/ Equipment Maintenance Service Request Form
- Original copy of Canvass from at least three (3) suppliers
- Summary/ Abstract of Canvass

4. Purchases of Food Provision for Meetings

- PCV with complete data and signature
- Letter of Invitation/ Notice of meetings
- Original copy of Canvass from at least three (3) suppliers
- Summary/ Abstract of Canvass

5. Payment for Toll Fees

- PCV with complete data and signature
- Invitation or memorandum to support travel
- Authorization of Local Travel
- Itinerary of Travel

7. Payment of Laboratory Services (Confirmatory Testing)

Sec. 7. Determination of Non Stocks Availability Inquiry from PPMD

- a. Stock Availability Inquiry (SAI) Form (**Annex E**)
- b. Inclusion to Annual Procurement Plan (APP)
- c. Project Procurement Management Plan (PPMP) Amendment

Sec. 8. Documentary Requirements in the Liquidation of Cash Advanced thru PCF

1. Purchases for replacement of spare parts
 - Original copy of Collection Receipt
 - Invoice
 - Waste Material Report
 - Certificate of Inspection and Acceptance
2. Purchases of Office Supplies and Other Materials
 - Original copy of Collection Receipt
 - Invoice
 - Certificate of Inspection and Acceptance
3. Services/Repairs and Maintenance of Equipment
 - a. Services only
 - Original copy of Official Receipt
 - Certificate of Completion
 - b. Services and Materials
 - Original copy of Official Receipt
 - Service Invoice

- Waste Material Report
- Certificate of Completion

4. Purchases of Food Provision for Meetings

- Original copy of Official receipt/ Collection Receipt
- Attendance Sheet
- Certification that the meeting was held and citing the Purpose

5. Payment for Toll Fees/ Parking Fees

- Original copy of Toll Tickets/ Official Receipt
- Certificate of Travel completed
- Certificate of Appearance
- Approved trip tickets

Sec. 9. Documentary Requirements for the Payment of Reimbursements

All of the cited documentary requirements for the grant of Cash advance from PCF and liquidation of Cash Advances from PCF are the same document that needs to be submitted to the PCF Custodian for reimbursement of expenses.

- a. Stenographic Services – Official Receipt is needed
- b. Expenses incurred during Official Travel related to repairs and maintenance of vehicles, Statement of Urgency (**Annex F**) in lieu of canvass and abstract of canvass.

Sec. 10. Petty Cash Fund Replenishment

As a general rule, PCF is replenished when the cash disbursed is already 75% of the total fund, or as the need requires. Replenishment may also be made considering the time involved in validation/ review and routing of PCF for replenishment.

The PCF Custodian shall prepare the following documents covering payments made based on Petty Cash Voucher (PCV) to facilitate replenishment of the fund by the Petty Cash Fund Custodian to the Accounting Department for processing of the PCF's replenishment:

- Report of Disbursements (**Annex G**)
- Summary of Petty Cash Vouchers (**Annex H**)
- Petty Cash Fund Replenishment Report (**Annex I**)

- Budget Utilization Request (BUR) (**Annex J**)
- Complete documentation for each PCF Disbursement

The package shall be submitted to FPBD for processing of the BUR, standard time = 2 working days upon receipt of complete documents. Afterwards, the package will be processed by Accounting Department for APV preparation, standard time = 3 working days. Finally, the replenishment package shall be forwarded to Treasury Department for preparation of Payment Voucher and check, standard time = 2 working days.

Sec. 11. Management of Petty Cash Fund

1. The PCF Custodian shall maintain and record the setting up of the fund in the PCF Cashbook.
2. Each paid reimbursement and liquidated Petty Cash Advances shall be issued Petty Cash Voucher Number.

Note: Official Receipt/ Collection Receipt and Invoices shall be stamped "PAID".

3. The PCF Custodian shall record all issued PCV No. chronologically in the PCF Cashbook.
4. Unliquidated Petty Cash Advances shall be controlled separately by the PCF Custodian to ensure proper and timely liquidation.

Note: In case the Payee failed to liquidate in the prescribed five (5) working days, the PCF Custodian is required to report to the Treasurer on the 6th working day so that appropriate action can be taken for the immediate deduction of the full amount of the cash advance from the Payee's salary.

5. To ensure availability of PCF, the Custodian shall prepare the necessary reports and schedules to replenish the fund for submission to Accounting Department.
6. The Accounting Department shall validate and process the replenishment following the standard procedure on Disbursement.
7. Upon encashment of the replenishment check, the Custodian shall record and update the Cashbook.
8. The Custodian shall ensure that the cash balance of the PCF is reconciled with the cash book balance after deducting all unliquidated cash advances.
9. If the Custodian resigned, retired or re-assigned to other office/ department, he or she should immediately liquidate the unreplenished expenses and remit the difference to the Treasurer for issuance of Official Receipt. The PCF Cashbook shall likewise be closed and surrendered to the Treasurer for record keeping.
10. At year end closing, PCF Custodian shall submit to Accounting Department a Summary of Disbursements with BUR for recording of expenses.

Sec. 12. Petty Cash Fund Audit

Cash advance system has been recognized by the Commission on Audit (COA) as a facilitative tool in the financial operations of the government since there are certain instances when it may be very difficult, impractical or impossible to make payments by check.

The use of PCF for petty operating expense falls under the category of regular cash advance as set forth by COA to defray small payments which cannot be paid conveniently by check or are required to be paid immediately which includes:

1. Procurement of
 - (a) non-common supplies and
 - (b) urgently needed office supplies or stocking items in cases when the same are not available at the time in the inventory of the PPMD; and

The Internal Audit Services (IAS) shall include in their Annual Audit Plan the conduct of spot audit or review i.e., quarterly, semi-annual or annual of the PCF usage and ensure that the documentary requirements are met.

Chapter 4. Process Flow of PCF Cycle (see attached)

- a. Treasury Department – per Document Code: SBMAPM-QP-05-22-R (**Annex K**)
- b. FPBD – Petty Cash Disbursement Process (**Annex L**)

Annexes

- Annex A** - Petty Cash Voucher (PCV) Form
- Annex B** - Non-VAT Supplier (Ex. J.T.C. Marketing)
- Annex C** - VAT Supplier (Ex. Zambales Solid Construction Supply)
- Annex D** - Supplier for Services (Ex. AJOARC Advertising) –
- Annex E** - Stock Availability Inquiry
- Annex F** - Statement of Urgency
- Annex G** - Report of Disbursement
- Annex H** - Summary of Petty Cash Voucher
- Annex I** - Petty Cash Fund Replenishment Report
- Annex J** - Budget Utilization Request (BUR)
- Annex K** - Treasury Department – per Document Code: SBMAPM-QP-05-22-R
- Annex L** - FPBD – Petty Cash Disbursement Process
- Annex M**- Certificate of Acceptance
- Annex N** - Certificate of Completion and Acceptance
- Annex O** - Waste Materials Report