

UNFPA

Policies and Procedures
Policy on Project Cash Advances

Finance and Budget

Policy Title	Policy on Project Cash Advances
Previous title (if any)	n/a
Policy objective	The policy on project cash advances establishes the procedures on when and how to use project cash advances.
Target audience	This policy applies to all UNFPA personnel, particularly those involved with distribution of large sums of cash.
Risk Control matrix	Controls of the process are detailed in the Risk Control Matrix
Effective date	September 2016
Revision History	Issued: September 2016
Mandatory revision date	September 2019
Policy owner unit	Division for Management Services, Finance Branch

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I. Purpose

A project cash advance, although not encouraged, may be necessary in some situations:

- A UNFPA implemented activity is being held in a remote location where traditional banking services do not exist;
- Participants do not have bank accounts;
- Mobile payment services are not available or reliable; or
- UNDP or other agencies do not provide a cash transfer service.

A project cash advance is a cash advance issued to a UNFPA project cash advance custodian who is then responsible for distributing the cash to beneficiaries or participants at a UNFPA implemented activity.

Because the financial and security risks involved with one person carrying cash are relatively high, project cash advances are not encouraged and should only be considered as a last option when no other alternatives are available or when the cost of transferring funds through other means would result in higher transactions costs.

This policy outlines the conditions under which a business unit, in this case typically country offices, may issue project cash advances and the procedures which must be followed when doing so.

II. Policy

This policy identifies control actions to mitigate potential risks related to handling project cash advances and establishes the following:

- A project cash advance cannot not be used for implementing partner activities because implementing partners are responsible for transferring funds according to their own policies and procedures except in cases where UNFPA is working under a [direct payment modality arrangement](#) with an implementing partner.
- If a business unit anticipates the need to issue cash advances on a regular or more frequent basis, it should first contact the local UNDP office to determine whether there is a pre-existing electronic transfer arrangement in place. If no such arrangement exists with UNDP, the business unit should then contact other UN agencies. Where no solution emanates from consultation with UNDP or other UN agencies, the business unit may then consider engaging the services of a registered third party money transfer provider such as a bank or mobile money payment company in line with [Policy and Procedures for Regular Procurement](#).

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When engaging a third party money transfer provider, the business unit should consider the following points:

- No costs or fees should be incurred by the beneficiaries of the cash;
- The service provider must preferably be able to transfer cash to beneficiaries electronically and directly to their bank account;
- The service provider's rates and fees should be clearly understood and documented in the agreement between itself the UNFPA;
- How the service provider derives the rates and whether there is any flexibility in rates should be explored;
- A financial report from the service provider must be submitted to UNFPA no later than 4 days after the conclusion of the UNFPA activity.

It is important to distinguish between which kinds of expenses qualify to be paid for using project cash advances and which do not. This is important because, as mentioned above, project cash advances are risky by nature and therefore should not be used for expenses that could otherwise have been paid electronically.

Expenses which qualify	Expenses which do not qualify
<ul style="list-style-type: none">• Travel related and fuel expenses between the country office's main location and the remote location where the project activity is held.	<ul style="list-style-type: none">• Salary and benefit payments including overtime, advances and allowances cannot be made with project cash advances regardless of amount. These payments must be entered in global payroll without exception.
<ul style="list-style-type: none">• DSA for participants in workshops, training seminars, or conferences held in a remote location.	

III. Procedures

The Cash Advance procedures consist of the steps detailed below and in the related flowchart in Section V.

Step 1: Assess the Risks of Issuing a Project Cash Advance

The head of office is authorized to issue individual project cash advances and is ultimately accountable for the safety of the project cash advance custodian(s) and the cash they hold. He/she must consider the serious risks involved with providing cash to individuals and the risks associated with the handling of cash. No new cash advances can be issued until previous advances in account 16007 has been cleared.

The head of office is authorized to issue up to \$5,000 per project cash advance per staff member on permanent or fixed term contract. In smaller offices with limited availability of staff on permanent or fixed term contract, the head of office is authorized to issue up to \$1,000 per service contractor when he/she serves as project cash advance custodian.

At any one time, the total amount of project cash advances outstanding should not exceed \$20,000 USD in any office.

Project cash advance requests exceeding the thresholds outlined above must be approved by the Division for Management Services by completing the '[Approval for Project Cash Advance](#)' form in Annex 1 and sending the request to qmu.group@unfpa.org with a copy to the Director, Division for Management Services.

If the head of office considers the issuance of project cash advances a particularly high risk activity in their duty station, they should exercise due caution and appropriately limit the amount of cash dispensed in this manner or suspend project cash advances if necessary.

Step 2: Document Approval of the Project Cash Advance

All project cash advances must be approved by the head of office because he/she is ultimately accountable for the safe and appropriate distribution of these funds. Documentation of the approval must be done using the '[Approval for Project Cash Advance](#)' form in Annex 1.

Step 3: Appoint a Project Cash Advance Custodian

The head of office is responsible for appointing a project cash advance custodian using the [Project Cash Advance Custodian Appointment form in Annex 2](#). The project cash advance custodian should:

- Hold a UNFPA Permanent or Fixed Term Contract
- In smaller offices, in exceptional circumstances, hold a Service Contract
- Be able to fulfill the responsibilities including safeguarding, proper use of, and timely accounting for project cash advances.
- Agree to fully report and account for project cash advances within 7 days after the conclusion of the project activity.

A service contractor may be appointed as a project cash custodian in smaller offices with limited availability of staff on permanent and fixed term contracts. The head of unit is responsible for justifying in Annex 1 why it is necessary to appoint a service contractor as a project cash custodian.

Step 4: Establish Security for Project Cash Advance Custodian and Remote Location

The head of office is responsible for making the appropriate security arrangements to protect the project cash advance custodian and any cash in his/her possession. He/she may designate staff members with authority to carry out necessary arrangements which should include:

- Completion of a security assessment at project activity site in cooperation with United Nations Department of Safety and Security or a third party security service if applicable.
- Proper safekeeping of the project cash advance between the time of receipt of the cash and final disbursement of cash (if an external service provider is not used for transporting and distributing the cash) as well as any unused cash advance until the amount is deposited back into bank account.

Step 5: Issue Project Cash Advance Check to Project Cash Advance Custodian

The following steps outline how to set up the project cash advance custodian in Atlas and issue him/her the project cash advance.

- A one-time project cash advance custodian is set up as a 'vendor' in Atlas by a designated staff person who is authorized to create and approve vendors in Atlas. If a vendor code already exists for the project cash advance custodian a new one should not be created.

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- An AP non-PO voucher is raised with proper supporting documents and approved by the head of office (see below).
- A check or electronic funds are issued to the project cash advance custodian.
- The project cash advance custodian withdraws the cash on or the day before the scheduled day of cash distribution as feasible.
- The project cash advance custodian safe guards the project cash advance until completing the final disbursements.
- Ensure that no new project cash advances are issued before previous advances have been cleared.

The project cash advance custodian must ensure that the cash entrusted to him/her does not intermingle with the personal cash in the custodian’s personal bank account.

A project cash advance must be recorded in the currency in which expenses are expected.

An ‘AP non-PO Voucher’ must be raised in Atlas to issue a project cash advance and charged to the following chart of accounts (COA):

Debit GL Account:	16007 – Project Cash Advance
Fund Code:	As appropriate
Department:	Respective department code
Project ID:	Relevant project ID
Implementing Agent:	As appropriate
Activity ID:	As appropriate
Open Item Key:	Project cash advance Custodian staff index ID number

Account 16007 – Project Advances is ‘budget checked’. This account will follow the logic of OFA (Operating Fund Advances) account 16005 which means there will be a reduction of budget availability for the amount recorded under account 16007 at the time when voucher is approved and budget checked. Similarly, budget availability may be increased in case of deposits recorded under account 16007.

Step 6: Disburse Project Cash Advance to Beneficiaries and Complete Financial Summary Report

The project cash advance custodian must disburse the project cash advance in accordance with the following guidelines:

- Maintain invoices and receipts for purchases

- Maintain the project cash advance payee list which includes the recipient name, organization affiliation (if applicable), phone and ID number, and amount of the cash disbursed to recipient.
- Verify validity of identification provided before making any cash disbursement to each intended recipient. Examples of valid identification include driver’s license, social security card, passport, or any other government issued form of identification. Where participants have no government issued documents, thumb prints or photos of attendees can serve as supporting documents.
- Collect the signature of each recipient acknowledging receipt of payment.
- Calculate the total for all disbursements made and determine the unused balance of the project cash advance.
- Submit the project cash advance recipient list, invoices/receipts, along with unused project cash advance balance, if any, to the operations manager (or other designate) immediately upon completion of the activity along with [Financial Summary Report in Annex 3](#).

Step 7: Record Project Cash Advance as an Expense

A project cash advance must be distributed and accounted for as actual expenses within 7 days after the last day of the one-time project activity. Therefore, only project cash advances issued for the project activities with conclusion dates within the last 7 days of a month would be outstanding in the country office’s project cash advance general ledger account 16007 at the end of the month.

An ‘Accounts Payable Journal Voucher (APJV)’ must be raised in Atlas to record project cash advance actual expenses (using the Financial Summary Report in Annex 3) and reverse the original project cash advance using the following COA.

Debit GL Account:	7XXXX – applicable expenses accounts
Fund Code:	As appropriate
Department:	Respective department code
Project ID:	Relevant project ID
Impl. Agent:	As appropriate
Activity ID:	As appropriate
Open Item Key:	Project cash advance Custodian Staff Index ID

An ‘Accounts Receivables (AR) Direct Journal’ must be raised in Atlas for depositing any unused project cash advance using the COA from the original accounts payable voucher

issued for the project cash advance release. Unused project cash advances must be deposited into bank account.

Step 8: Reconcile Outstanding Project Cash Advance Balance with GL and Project Cash Advance Reconciliation Schedule

The designated staff member responsible for monitoring project cash advances issued must:

- Ensure that the APJV and AR direct journal use the correct COA.
- Prepare the [Project Cash Advance Reconciliation Schedule](#) and maintain locally for audit purposes.
- Review and confirm that the balance in GL account 16007 represents the outstanding project cash advances for activities that have not concluded or been reported on at the end of each month.

Step 9: Review and Certify Project Cash Advance Reconciliation Schedule

The head of office or highest level finance/administration staff member in country must:

- Review the reconciliation completed by the assigned staff member
- Certify the project cash advance Reconciliation Schedule
- Ensure that all cash advances to service contractors are fully accounted for before expiration of their contract and before their dues are settled

Step 10: Exceptions

All exceptions to the above policy or procedures must be authorized by the Division for Management Services through gmu.group@unfpa.org.

IV. Other Information

a. Cognos Reports

Amounts recorded under account 16007 will be presented in the Cognos reports under 'Disbursement' column and therefore temporarily increase the implementation rate. However all un-liquidated balances at the year-end will be rolled over to the next year (same process as for OFA balances) which will reduce current year's implementation rate and claim budget of the following year. Therefore it is important to keep balances at the year-end to an absolute minimum.

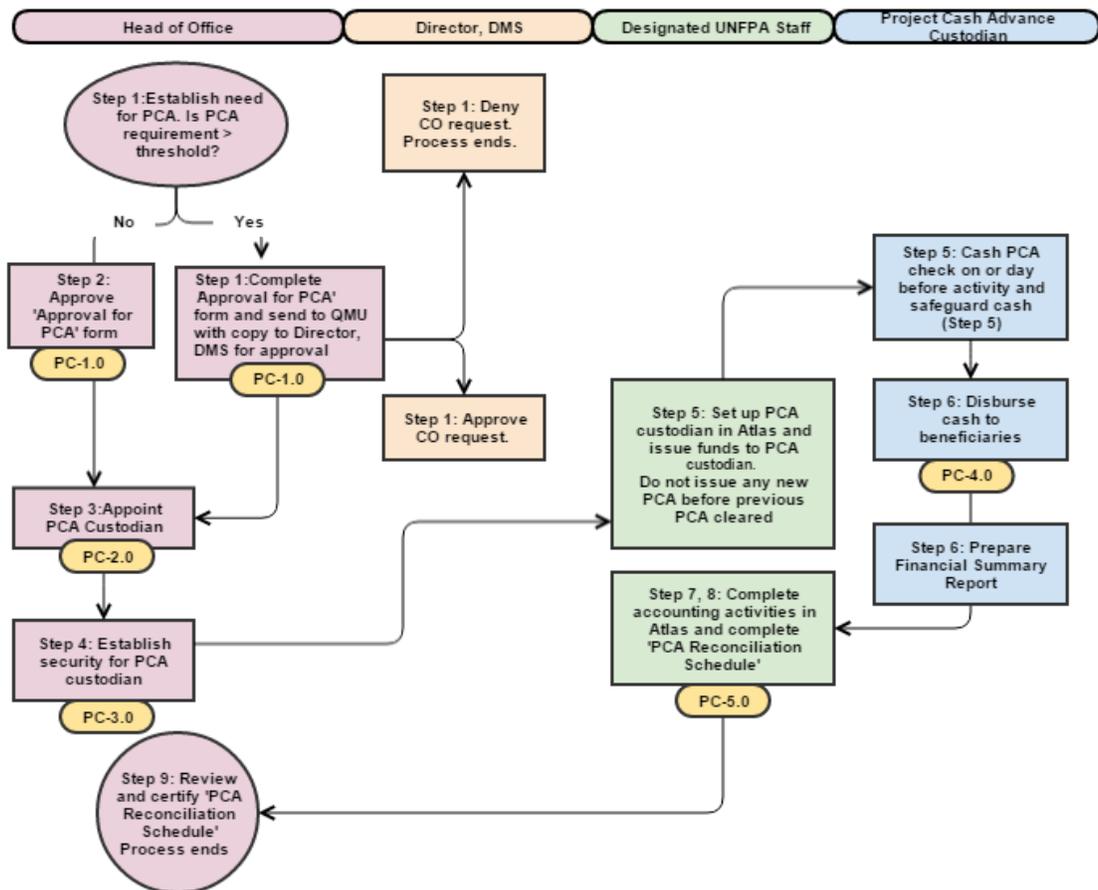
b. Foreign Exchange Gains or Losses

Reconciliation is to be done for the currency in which the project cash advance is issued. Typically, this means local currency for majority of the project cash advances. Country offices must never make any Atlas entries to adjust foreign exchange gains/losses for the advances account 16007 (or any balance sheet accounts).

c. Internal Controls for Project Cash Advances

In addition to the internal controls defined in the approval, security, custodian appointment, issuance and disbursement of project cash advances, separation of duties must be maintained at all times for project cash advance requests, approvals, AP non-PO voucher creation and approvals, and issuance.

V. Overview Flowchart



VI. Risk Control Matrix

Control #	Risk Description	Control Objective	Control Activity Description	Who performs
PC-1.0	Project cash advances (PCA) are issued when other more secure means of providing cash are available.	All project cash advances are necessary and approved by Division for Management Services (DMS) when exceeding threshold.	Approval obtained in 'Approval for Project Cash Advance' form.	Head of office; Director DMS
PC-2.0	Project cash advances are issued to a person not suitable to assume responsibility for managing UNFPA cash in large sums thus creating a risk of theft or loss of funds.	All project cash advances are authorized and issued to suitable staff capable and delegated to handle large sums of cash.	Head of office appoints PCA custodian using PCA Custodian Appointment form.	Head of office
PC-3.0	The project cash advance issued to the PCA custodian is stolen or lost due to a lack of appropriate security measures.	Cash is always secured and never misplaced or stolen between receipt of cash by the PCA custodian and distribution at activity.	Head of office ensures that security assessment is done at project activity site and that cash is properly secured between receipt and distribution.	Head of office
PC-4.0	Cash is not appropriately accounted for during distribution resulting in recipients not receiving cash or receiving more or less cash than required.	All recipients that are paid from the project cash advance attended the activity and were paid only once.	Cash withdrawn immediately before activity; invoices and receipts maintained; payee list maintained; ID verified; signature of recipient collected; unused portion of cash accounted for using Financial Summary Report immediately upon completion of the activity.	Project Cash Advance Custodian
PC-5.0	Cash is not appropriately accounted for after activity completion creating risk that unspent funds are not returned or that funds are lost or stolen.	All cash distributed and remaining is accounted for following an activity under the review and approval of the head of office.	Complete Project Cash Advance Reconciliation as soon as possible after the conclusion of the project activity.	Designated UNFPA staff member; head of office

Annex 1: Approval for Project Cash Advance

Country Office		
Activity period	From:	To:
Project cash advance amount	\$	
Name of Project Cash Advance Custodian		
Type of contract (if service contractor please explain)		
1. Justification		
2. Type of Activity		
3. Security Arrangements		
Signature of Head of Office		
Date		

For Project Cash Advances above thresholds outlined in step 1: Completed forms should be sent to: gmu.group@unfpa.org to the attention “QMU Project Cash Advance Approver” with copy to Director, Division for Management Services.

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Annex 2: Project Cash Advances Custodian Appointment Form

Date: [dd/mm/yyyy]

To: **Project Cash Advances custodian (insert name, designation/title)**

From: **Head of Office [insert name , country office]**

Subject: **Appointment Of Custodian For Project Cash Advances**

You are hereby appointed as the custodian for the amount of _____ (United States Dollars) or _____ (local currency equivalent) for the above chosen cash arrangement, effective _____(dd/mm/yyyy).

By accepting the authority hereby delegated to you, you agree to the following:

- You have read and will follow the policies and guidelines in the Policies and Procedures Manual for project cash advances arrangement at all times in fulfilling your responsibilities;
- You will be personally responsible and financially liable for the cash amount under your custodianship in accordance with Financial Rule 114.6 (a);
- You will not transfer or sub-delegate this responsibility. In the circumstance that prohibits you to fulfill the responsibility, you will notify me through your direct supervisor.
- You are authorized to make each cash disbursement up to the limit specified for the chosen cash arrangement in the Policies and Procedures Manual.

This appointment is valid for the duration of project activities for Project No. _____ between dd/mm/yyyy and dd/mm/yyyy.

Project cash advance custodian:	Name/Title:
	Signature:
	Date:
Verified by:	Name/Title:
	Signature:
	Date:

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Annex 3: Financial Summary Report

A. Total amount of project cash advance received	\$
Description of disbursements or expense	
1.	\$
2.	\$
3.	\$
4.	\$
5.	\$
B. Total disbursements	\$
C. Remaining balance (A-B)	\$

Summary of chart of accounts (COA) to which disbursements above are to be charged	
Full COA	Amount to be charged
	\$
D. Total amount to be charged to COAs (D should be equal to B)	

Certification:	
I confirm that all disbursements were made in line with UNFPA approved workplan and budget for the activity I've received project cash advance for and that all above expenses are legitimate and reported accurately.	
Project cash advance custodian:	Name/Title:
	Signature:
	Date:
Verified by:	Name/Title:
	Signature:
	Date:

Annex 4: Project Cash Advances Reconciliation Schedule

A. Balance in GL 16007	\$		
Outstanding project cash advances	Project #/Custodian Name	Amount	Actions to be taken
1.		\$	
2.		\$	
3.		\$	
4.		\$	
5.		\$	
B. Total outstanding project cash advances:	\$		
C. Difference (A-B)	\$		
Notes:			
1. For each outstanding project cash advances, give a brief explanation and the date for closure.			
2. If there is a difference, the country office must review GL 16007 history to identify the difference and seek Division for Management Services guidance on corrective actions.			

Prepared by:	Name/Title:
	Signature:
	Date:
Reviewed and certified by:	Name/Title:
	Signature:
	Date: