**Project Cash on Hand for DIM Projects (PCH)**

* + 1. PCH is a perpetual cash advance to DIM project office/site that is in remote region with project disbursement needs that cannot be met by the CO’s main office through cheque or EFT, nor by PPCF or any supplementary banking arrangements. A DIM project office that meets certain criteria and has monthly project cash requirement beyond $2,500, may elect PCH arrangement.

Note: This arrangement is also applicable to “Support to NIM” where implementation modalities are established in accordance to the policy on “[UNDP Support Services to National Implementation (NIM)](https://popp.undp.org/node/11701).”

* + 1. The maximum PCH balance is $5,000 (or local currency equivalent) per DIM project. However, this does not warrant an automatic establishment of PCH nor at the maximum level if there are alternative ways to pay project small expenses without using cash. The CO management must determine the need and level which are based on business requirements. The general rule for choosing the appropriate level is the amount sufficient for one month PCH requirement.
		2. Under a specific circumstance where project monthly need is beyond $5,000 RR only (not to be further delegated) can approve PCH limit up to $25,000. Need of such special circumstance and proper safeguard measure for the safety and security of the cash must be documented by the RR.
		3. The determination of the appropriate level for a PCH is based on the Annual Work Plan, the project expense forecast, staff capacity, number of FT staff working in the project office, internal control, and security risks.
		4. The management of PCH follows the same as PPCF except the following differences:
	1. Country Office must document the PCH arrangement for DIM project remote office/site with a specific PCH level and rational for the identified amount.
	2. PCH does NOT exempt the CO or the project office from following all applicable procurement rules and processes. This means that even if cash is used to pay for goods and services, the selection of the vendor must be subject to all applicable procurement rules and processes.
	3. The Project Manager (PM holding FT contract) in the remote project site, acting as the First Authority, can request the replenishment for PCH, subject to certain internal control conditions being met (see Internal Control for PCH).

***Caution: For DIM project office with monthly liquidity requirement > $25,000, the CO must use the banking system or other alternatives instead of keeping large amount of cash in the project office. This requires consultation with Treasury to open project bank account, or arrange the local service provider or cash courier to meet the cash needs.***

Authority to Establish the PCH and Level

* + 1. The Treasurer delegates his/her authority for establishing PCH to the Resident Representative, up to the PCH maximum level for normal business.
		2. Any CO with PCH requirement above $25,000 for a DIM project must seek Treasurer’s approval in advance by submitting an Annex 5 with detailed justifications. The Treasurer will evaluate such request, in addition to the consideration of the project’s business needs, the CO’s track record of compliance with internal control framework (‘ICF’) and POPP Guidelines, particularly in the areas of adherence of accounting, reconciliation, and year-end procedures for PCF, and make the decision to authorize the higher level requested,

***Caution: Failure to accurately and timely record PCH expenses and reconcile GL PCH Account 16107 may lead to delay or denial of the request until the internal control issues are resolved.***

* + 1. The Resident Representative must document the following details for the PCH arrangement of the remote DIM project office/site.
1. Efforts made by the office in identifying alternate options and outcomes including the local banking environment assessment to demonstrate there are no other viable options
2. Staff capacity and availability of Quantum at the project site in order to record the project disbursements on a monthly basis.
3. Proposed internal control arrangements to ensure separation of duties.
4. Monthly project liquidity requirement (expense forecast) to substantiate the selected PCH level.
5. Security assessment of the project office/site and the travel route for the initial funding and subsequent replenishment to minimize the personal risk to the PCH Custodian and financial risk to UNDP.
6. Procurement of the safe with strong security feature and availability of a locked room with security safeguards.
	* 1. The RR will evaluate such request based on the project’s needs, banking situation in the remote area, project staff capacity and site security, along with the country office’s compliance records with ICF and Guidelines for existing type of cash arrangements, if any, particularly in the areas of adherence of accounting, reconciliation, and year-end procedures, and make the decision whether to approve the PCH level.

***Caution: Failure to timely and accurately record any type of cash arrangement and reconcile relevant GL accounts may lead to delay for the approval until the internal control issues are resolved.***

Qualifying Expenses for PCH

* + 1. DIM project related expenses that cannot be paid by the main office.
		2. No amount limit for each payment.
		3. Procurement rules and processes are to be followed for all project disbursements.

***Caution: Salary and benefit payments including overtime, advances and allowances cannot be made from the PCH regardless of amount. These payments must be entered in Global Payroll without exception.***

PCH Custodian Appointment

* + 1. The Resident Representative appoints the PCH Custodian with the following Appointment criteria:

1. Staff holds UNDP Fixed Term contract. RR only (not to be further delegated) can appoint a holder of Personnel Services Agreement (NPSA/IPSA) as the custodian up to the limit of $2,500 only.
2. Staff is competent to fulfill the responsibilities including safeguarding, proper use of, accounting for, and physical counting of, and maintaining the PCH Register.
3. Staff agrees to the terms and conditions of Project Cash on Hand Custodian Appointment and Declaration Letter and signs the document (Annex 1 – PCH Cash Custodian Appointment Form – to be modified for PCH by the user) including any losses in the PCH are to be reimbursed to UNDP by the PCH Custodian or a deduction shall be taken from his/her salary.

PCH Custodian Responsibilities

* + 1. Custodian responsibilities are the following:

1. Place the cash for PCH initial funding and subsequent replenishment in the project office safe with the presence of a second officer.
2. b. Maintain the PCH Register to record all activities in the PCH (see Annex 2 - PCH Cash Register).
3. Maintain PCH daily balance and average monthly balance on PCH Register for insurance purpose.
4. Use pre-sequentially numbered PCH Voucher for each disbursement made from the PCH.
5. Ensure such PCH Voucher is filled out for accounting/budget purposes and properly approved and has an invoice/receipt as the supporting document.
6. Count PCH balance after each disbursement and after each of the replenishments to ensure the amount is always equal to the running balance on the PCF Register.
7. Make every reasonable effort to prevent theft for example, including maintenance of PCF in secured location (i.e., office safe), requiring presence of two persons when safe is opened.
8. Request the CO’s main office for replenishment when PCH balance reaches 20% of the initial opening balance (or a pre-approved % level, also see paragraph 16-19 “Initial Funding and Subsequent Replenishment for PCH”).

Physical Security for PCH

* + 1. The DRR(O) or Operations Manager is responsible for the physical security for PCF as follows:

1. The project office must have a safe with strong security features.
2. The safe is to be placed in a room with security safeguards and is limited access by authorized personnel only.
3. Cash must be kept in the safe at all times.
4. Arrange and secure the travel route for the initial funding and the subsequent replenishments.

Initial Funding and Subsequent Replenishment for PCH

* + 1. Initial funding of PCH is done by a Permanent Prepayment Invoice payable to the PCH Custodian as the “Supplier”, recorded against :

Debit GL Account: 16107 – Project Cash on Hand PCH

Operating Unit: CO’s operating unit

Fund Code: Relevant project fund code

Department: Respective department

Project ID: Relevant project ID

Impl. Agent: As appropriate

Donor: As appropriate

Supplier: PCH Custodian Staff/Supplier ID

* + 1. The supporting document for the Invoice is the approval from the Resident Representative or Treasurer, as applicable.
		2. Subsequent replenishment is done by an Payment Voucher payable to the PCH Custodian. The amount of the subsequent replenishment should equal the amount of total disbursements made during the period prior to the replenishment request. The relevant vouchers and attached related invoices/receipts serve as the supporting document for the subsequent replenishment.
		3. After the subsequent replenishment, the PCH balance held in office safe should equal to the initial opening balance.
		4. For subsequent replenishment to the PCH, the DRR (O) or Operations Manager at the CO’s main office (other than the PCH Custodian) must review, certify and approve (as the case may be):
1. Upload Spreadsheet list created by PCH Custodian for recording PCH disbursements and relevant supporting documents ( for expenses charged against relevant 7xxxx expense accounts
2. Physical count conducted by the project office to ensure the PCH balance in the safe equals to the balance on the PCH Register.
3. PCH reconciliation to ensure that GL PCH Account 16107 balance is the same as the actual cash in the safe (after the APJV is posted) and on the PCH Register.
4. Payment Voucher to pay the PCH Custodian as the replenishment for the PCH.

***Tips: Subsequent replenishment to the PCH must be requested when the PCH balance reaches 20% of the original level. If the lead time required is longer due to specific local conditions, the Project Manager must agree with the Operations Manager to raise the % to the appropriate level so that the project activities are not adversely impacted. The key is not to keep excess PCH balances on site to mitigate security risk and to ensure internal controls are strictly followed to reduce financial risk.***

Internal Controls for PCH

* + 1. Separation of duties should be maintained at all times.

* + 1. Pre-sequentially numbered PCH Vouchers must be used to request the PCH disbursements; the proper approval obtained, and full Chart of Accounts (COA) indicated.
		2. Invoice/receipt for any purchases should be attached to each PCH Voucher.
		3. PCH Register must be maintained on per transaction basis and issued on the close of business of the last day of the month or prior to each replenishment period with no further alteration. A new PCH Register must be created for a new month or a new replenishment period.
		4. AAA report for GL Account 16107 must be generated for each month end or each replenishment period to compare the balance in the PCH Register and in GL.
		5. Operations Manager should perform a physical cash count at the month end or prior to each replenishment request, whichever comes first, and shall sign the PCH Count Form (see Annex 3 – PCH Cash Count Form (for monthly and year end physical count and reconciliation). The signature on the PCH Count Form certifies that the balance in the safe equals to the balance in the PCH Register and the balance in the GL Account16107. If the project office does not have an Operations Manager, the DRR(O) must designate an officer independent of the PCH to conduct the monthly physical count.
		6. In addition, surprise physical cash counts must be carried out together by the DRR(O) or Operations Manager and by the designated staff/officers from the CO’s main office. The PCH Count Form should always be used and the date of the surprise cash count should be noted. In addition, the Custodian should perform a daily cash count and reconciliation with a second officer. This can be registered on the Cash Register.
		7. Any discrepancies identified in the steps 24 to 27 must be investigated and resolved within 7 days.
		8. Steps 24 to 28 constitute the monthly PCH reconciliation to be performed every month without exception.
		9. On or before 31 December of each year, the CO must upload the last spreadsheet of recorded expenses and deposit the PCH balance kept in the safe into the CO’s bank account. GSSC will take the necessary steps to ensure liquidation of the prepayment issued for PCH under GL Account 16107.

***Caution: If the CO does not deposit the PCH balance in the safe into the bank account at the year-end, the office must notify Treasury and explain the reasons why action was not taken. Treasury will issue guidance on the year-end certification procedures.***

***Caution: All transactions in PCH (Invoices, Credit Memos) must be recorded in the currency code in Quantum that matches the actual currency in which the PCH is held. Using incorrect currency code in Quantum will lead to inaccurate valuation of the PCH in the financial statements.***

***Caution:FX gain/loss adjustment entries are monitored by GSSC Cash Management team on a monthly basis.***

PCH Reconciliation and Year-End Closure

* + 1. Steps 24 to 28 in Section Internal Controls for PCH constitute the monthly PCH reconciliation to be performed every month without exception, including the year-end closure.

* + 1. If the CO’s main office and its project office follow the Guidelines and Procedures herein, the AAA report for GL 16107 at 31 December should show the balance to be zero in local currency.
		2. The DRR(O) must review the PCH reconciliation results, complete and sign the Year-end PCH Certificate and PCH Count Form. These two documents must be uploaded to designated SharePoint on or before 31 January (See Annex 4 – Year end Certification for Cash Arrangements)

***Caution: Pay attention to the currency in GL. Reconciliation is to be done for the currency in which the PCH is held. Typically, this means local currency. The CO should not reconcile the USD balance.***

***Caution: The DRR(O) is accountable for the accuracy and consistency of the balances in AAA report, in PCH Register, and in the safe.***

PCH Monitoring

* + 1. The Resident Representative is responsible for ensuring routine monitoring, at least monthly, of GL Account 16107 for data quality and completeness. CO compliance with the Guidelines and Procedures should ensure:

1. The PCH level not to exceed the authorized level at any time.
2. Expenses are recorded on a monthly basis or at each replenishment period.
3. No GLJE is used.
4. All transactions recorded are in the currency for which the initial PCH balance is established.
5. At 31 December, balance in GL 16107 in local currency is zero.

***Caution: Strictly following the procedures are critically important to ensure UNDP cash assets are accounted for timely and accurately.***