**Project Cash Advance (PCA)**

* 1. PCA is a one-time advance issued to a designated Custodian(s) for a specific project activity. Typically, the project activity consists of events such as workshops, training seminars or conferences relating to certain projects that would take place in various remote locations. The duration for such activities ranges from 2 days to 2 weeks.
	2. PCA is a type of cash arrangement to be used only when there are no other alternative options to disburse payments for any one-time project activities. Expenses qualified to be paid from PCA are: 1) Travel related and fuel expenses between the CO main office and remote region where the project activity is held; 2) DSA for participants for workshops, training seminars, or conferences with duration less than two weeks and in a remote region and 3) expenses related to organizing the events. Note that salary and benefit payments including overtime, advances and allowances cannot be made from the PCA regardless of amount. These payments must be entered in Global Payroll without exception.
	3. Due to the security and financial risks of carrying cash while traveling, the CO must always seek alternative options first that are available within the local environment to meet the requirement of the one-time project activities. If PCA must be used and the PCA Custodian must travel with cash, DRR(O) is responsible for making appropriate security arrangement to protect the PCA Custodian and UNDP’s cash asset.
	4. The maximum limit is $25,000 (or equivalent) for PCA(s) issued at any given point of time for a specific one-time project activity regardless of the number of the custodians appointed for the one activity. The PCA(s) must be closed and fully accounted for actual expenses within 30 days (one month) from the date advance was issued.
	5. For any one-time project activity requirement higher than USD 25,000, the DRR(O) must first seek alternative solutions in the country that are more secure and safe to meet the requirements. For example, make arrangement with a reliable and reputable third-party service provider to deliver and distribute the cash payments according to UNDP CO’s authorization and instructions with proper safeguard including the transportation, distribution of the cash, identifying payees, and reporting the disposal of cash at the conclusion of the job. For many CO’s this service can be provided by the local bank.
	6. If such third-party service provider is not available, the DRR(O) must send the request to the Treasurer for approval for amounts above USD 25,000. The request must specify the need, the justifications, and provide details on the security arrangement relating to the PCA with the dual goals of successfully delivering the project requirement and protecting UNDP staff and cash asset.
	7. The Head of Office is responsible for ensuring routine monitoring of GL account 16108 for data quality and completeness. COs should comply with the following:
1. PCA(s) for any single activity do not exceed $25,000 unless it is authorized by Treasury.
2. All PCAs are closed within 30 days from the date advance was issued.
3. Spreadsheet upload and/or processing of Credit Memo will completely reverse the original PCA amount issued.
4. Correct currency code is used.
5. PCA GL 16108 account balance at the month end agrees to the PCA Status Monitor.

Authority for Approving PCA

* 1. The Treasurer delegates his/her authority to DRR(O) or more senior manager for approving the PCA(s) for up to $25,000 per one-time project activity of limited duration, not exceeding two weeks. This delegation provides the flexibility for a specific project requirement that cannot be met by the normal banking arrangement. However, this delegation also demands accountability of the CO that issues PCAs to ensure timely closure of the PCAs.
	2. The Treasurer retains the authority to approve PCA(s) higher than $25,000 based on the CO’s request. The key considerations in approving such requests are:
1. Business needs.
2. Alternative solutions not available
3. Security assessment and arrangement (must identify secured route for travel and escort).
4. CO’s track record in timely and accurate closing the PCAs.
5. The CO must submit the AP Data Entry Form signed by respective officers as the supporting documents.

***Caution: Failure to timely and accurately reverse PCA, record the expenses, and reconcile GL PCA Account 16108 may lead to inaccurate valuation in the financial statements.***

***Caution: Failure to make proper security arrangement may lead to the delay in Treasurer’s approval of higher PCA amount until the situation is corrected by the CO.***

Qualifying Expenses for PCA

* 1. Expenses qualified to be paid from PCA are as follows:
1. Travel related and fuel expenses between the CO’s main office and the remote region where the project activity is held.
2. DSA for participants to events such as workshops, training seminars, or conferences with duration < 2 weeks and in a remote region.
3. Expenses relating to event organization.

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

PCA Custodian Appointment

* 1. The Head of the Office appoints the PCA Custodian with the following Appointment criteria:
1. Staff holds UNDP Fixed Term Contract (FT). RR only (not to be further delegated) can appoint a holder of Personnel Services Agreement (NPSA/IPSA) as the custodian upto the limit of $5,000 only.
2. If the CO needs PCA for more than $5,000 to a holder of Personnel Services Agreement (NPSA/IPSA) as the custodian, the Head of Office must send the request to the Treasurer for approval using Annex 5 (see annex 5) with the proper justifications
3. Staff is competent to fulfil the responsibilities including safeguarding, proper use of, and timely accounting for the PCA.
4. Staff signs the PCA Appointment Form.
5. Staff agrees to fully report and account the PCA within 30 days from the date the advance was issued.

Physical Security for PCA

* 1. The DRR (P) and DRR(O) (or equivalent and higher, as applicable) are jointly responsible for the security of the PCA as follows:
1. DRR (P) is responsible for the security assessment at project activity site and PCA Custodian appointment.
2. DRR (O) is responsible for the security arrangement (working with UNDSS or a third-party escort service if applicable).
3. The PCA Custodian is responsible for the safekeeping of the PCA between the time of the receipt of the cash and final disbursements of the cash (if the third-party provider is not used for transporting and distributing the cash) as well as any unused cash advance until the amount is returned to DRR (O).

Issuance of the PCA

* 1. The one-time PCA Custodian is set up as a ‘Supplier’ in Quantum,
	2. An Invoice to the Custodian/supplier will be created as type “prepayment” set up as a “temporary Prepayment” by checking off the flag “Allow prepayment application” Invoice recorded against:

Debit GL Account: 16108 – Project Cash Advance

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: PCA Custodian Staff/Supplier ID

* 1. A Payment will be processed by GSSC to the PCA Custodian.
	2. The PCA Custodian safe keeps the PCA cash until completing the final disbursements and accounting.

Disbursing PCA

* 1. The PCA Custodian is responsible to pay according to the following guidelines:
1. Maintain invoices and receipts for purchases.
2. Maintain the PCA Pay List including the beneficiary name, organization affiliation (if applicable), phone ID name and number, and amount of the cash disbursement.
3. Verify validity of the identification before making cash disbursement to each intended recipient.
4. Collect the signature from each recipient acknowledging the receipt of payment from UNDP.
5. Calculate the total for all disbursements made and determine the unused balance for PCA.
6. Submit the PCA Pay List, invoice/receipts, along with unused PCA balance, if any, to DRR(O) immediately upon completion of the activity.

Internal Controls for PCA

* 1. Separation of duties must be maintained at all times for PCA request, PCA approval, Invoice creation and approval, and issuance of PCA.
	2. The PCA Custodian disburses the cash to authorized beneficiaries for Qualifying PCA Expense only for the specific one-time project activity.
	3. The PCA Custodian must maintain the Pay List with supporting documents. This will include records to identify who was paid, for example by retaining copies of identification of the beneficiaries.
	4. The PCA Custodian must submit all invoices and receipts to the DRR(O).
	5. The PCA must submit the final accounting within 30 days from date of issuance of advance, including returning the unused PCA cash balance and documents listed in 20 and 21 above to DRR(O).
	6. The Finance/Operations reviews steps 23 above and ascertain the PCA is disbursed according to the procedures and is fully accounted for and proceed to perform the closure accounting entries. The review should include phone calls to beneficiaries selected randomly to verify the actual payments.
	7. The assigned Finance Associate responsible for tracking PCA status should use the PCA Status Monitor (Annex 6 – PCA Status Monitor) to ensure that all onetime project activities concluded by 23rd do not have outstanding PCAs at the last day of the month.
	8. The Operations Manager must review the PCA Status and Monitor at each month end.

***Tips: The Operations Manager must assign one Finance Associate the responsibility to monitor all PCAs issued and ensure proper actions listed above take place within the required timeline.***

Accounting for PCA

* 1. CO must record in currency for which the PCA is issued

a. AP non-PO Invoice for issuance of PCA must charge the following Chart of Accounts (COA):

Debit GL Account: 16108 – Project Cash Advance

Operating Unit: CO’s operating unit

Fund Code: Relevant project fund code

Department: Respective department code

Project ID: Relevant project ID

Impl. Agent: As appropriate

Donor: As appropriate

Open Item Key: PCA Custodian Staff Index ID

Related Invoice: Invoice ID of initial issued advance

b. APJV to record PCA actual expenses and reverse the original PCA must charge the following COA (do not use GLJE):

Debit GL Account: 7XXXX – applicable expenses accounts

Credit GL Account: 16108 – Project Cash Advance

Invoice Date: Same Accounting date as the initial AP Invoice of initial issued advance

Operating Unit: CO’s operating unit

Fund Code: Relevant project fund code

Department: Respective department code

Project ID: Relevant project ID

Impl. Agent: As appropriate

Donor: As appropriate

Open Item Key: PCA Custodian Staff Index ID

Related Invoice: Invoice ID of initial issued advance

c. AR Direct Journal for depositing any unused PCA balance must charge the following COA (do not use GLJE):

Credit GL Account: 16108

Operating Unit: CO’s operating unit

Fund Code: Relevant project fund code

Department: Respective department code

Project ID: Relevant project ID

Impl. Agent: As appropriate

Donor: As appropriate

Open Item Key: PCA Custodian Staff Index ID

Journal Line Description: Invoice ID of initial issued advance

***Caution: All PCAs are to be fully closed and accounted for within 30 days from the date of the issuance of advance, for a one-time project activity. This is very important to the fair and accurate presentation of a) UNDP financial position and operating results (reflected in the Balance Sheet and Income Statement Accounts) and b) UNDP’s project delivery status and balance for donor reporting under IPSAS at all times.***

***Caution: FX gain/loss adjustment entries are monitored by GSSC Cash Management team on a monthly basis.*** Reconciling Outstanding PCA Balance with GL Balance for PCA

***Caution: Pay attention to the currency in GL. Reconciliation is to be done for the currency for which the PCA is issued. Typically, this means local currency for majority of the PCAs.***

* 1. The assigned Finance Associate who monitors PCA issued must ensure that the APJV and AR Direct Journal use the correct COA.
	2. The assigned Finance Associate runs AAA report for GL Account 16108 for the last date of each month. He/she reviews and confirms that the balance in GL Account 16108 represents the outstanding PCAs that have not concluded as of the 23rd of each month.
	3. The Operations Manager must review the reconciliation completed by the assigned Finance Associate. If there any concerns for unclosed PCAs, he/she must take appropriate actions to ensure the internal controls for PCA are followed.
	4. At each quarter-end or at each UNDP financial closure date, the assigned Finance Associate prepares the PCA Reconciliation Schedule (see Annex 7 – PCA Reconciliation Schedule). The GL Account 16108 balance must be substantiated by the PCAs that are outstanding in details.
	5. The Operations Manager must review and certify the PCA Reconciliation Schedule.

***Caution: The above steps are critically important to ensure UNDP cash advances are accounted for timely and accurately.***