

ANSA-EAP Foundation, Inc.	Title: Financial Management System Manual	Version No.: 01	Effective Date: July 2012
		Revision No.: 00	

**ANSA-EAP FOUNDATION, INC.
Financial Management System Manual**

July 2012

**Version 1.0
Revision 0**

Property of ANSA-EAP Foundation, Inc.

Prepared by:	Reviewed by:	Approved by:
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I. INTRODUCTION

1.1 Objectives of the Manual

The manual serves the following purposes:

1. To clearly define the organizational responsibilities of the finance staff in the performance of their functions;
2. To set prescribed policies, guidelines, systems, procedures, and forms for finance functions of the Foundation;
3. To assist in the efficient management of the Foundation's resources; and
4. To serve as a useful tool for orienting new staff on the activities of finance unit.

Specifically, this manual is designed

1. To provide the Foundation with the particular accounting policies and procedures and internal control guidelines in the management of funds and to protect the Foundation's financial assets.
2. To enable the Foundation to maintain adequate financial records of the project.

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1.2 Scope of the Manual

The Finance Manual is a compilation of the policy statements, systems, guidelines and procedures on ANSA-EAP Foundation, Inc. finance functions. It also contains the implementing procedures underlying each policy.

The manual also presents the processes involved in the area of budgeting, fixed assets capitalization, auditing, funds management, and reporting.

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1.3 Manual Structure

This manual is titled Financial Management System manual.

The manual is designed with a Manual Header and Manual Body per page. It appears in the following format:

Manual Header - The header appears in the upper portion of every page of this manual. It contains the following:

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The Version Number is the number of version of the manual and is used for referencing purposes to track the versions made from the original or previous versions.

Revision Number reflects the number of times the manual was replaced and issued.

Effective Date indicates the month and year the particular section of the manual will take effect; same as implementation date.

Manual Body - The manual body contains specific policies, guidelines & procedures related to the section being discussed. It contains the content of the manual such as the objectives, scope, policies & procedures, flowchart, illustrative journal entries and internal control guidelines.

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1.4 Distribution of Copies of the Manual

This Manual shall be made available to the management and finance staff of ANSA-EAP Foundation, Inc.

No part of this manual shall be implemented without the approval of the appropriate authority.

This manual is the property of ANSA-EAP Foundation, Inc.

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1.5 Amendments or Revisions to the Manual

The Finance unit shall ensure implementation of the documented policies and procedures and shall ascertain that the Manual is applicable and up-to-date.

The Finance Manual is subject to regular review and revision, whenever necessary, to determine the applicability of the policies and operations of the Foundation.

Should there be changes in any part of the manual; the appropriate page shall be revised according to the established documents control procedure.

Users of the manual may propose revisions as necessary. The revisions may include deletion and enhancement of current policies and procedures. The proposed revisions shall be discussed and approved by authorized personnel.

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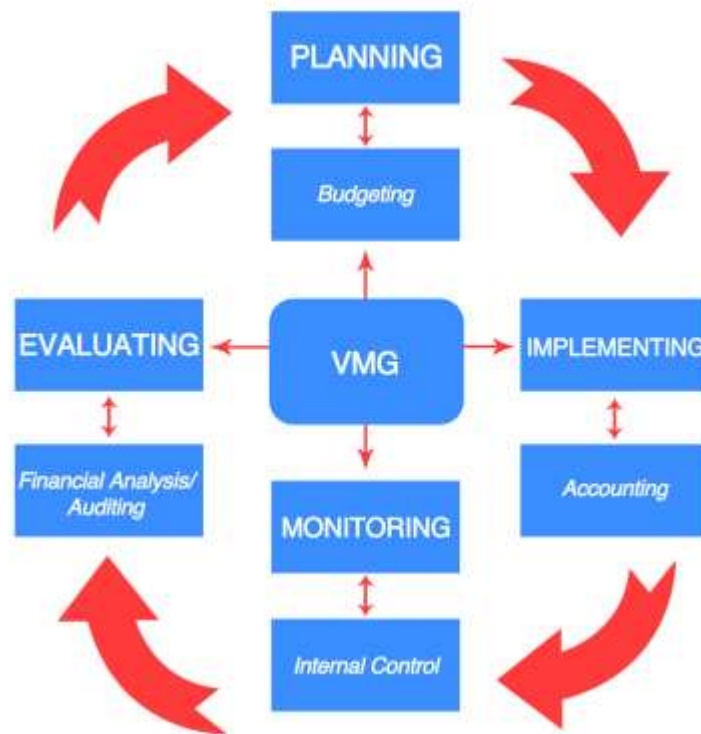
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II. FINANCE MANAGEMENT PRINCIPLES OF ANSA-EAP Foundation, Inc.

2.1 Framework

The manual is based on the framework described below.

PROJECT AND FINANCE MANAGEMENT FUNCTIONS



This framework assumes that finance management functions are directly related to project management functions; it is implemented in parallel with program management.

Finance management system is not isolated, i.e., it is linked with other operating systems so that management can have a full grasp of both financial and non-financial picture of operations. Everyone involved in program/project management and implementation has a role in finance management in varying degrees of involvement depending on the organizational structure, flow of operations, and nature of transactions. Program/Project implementers are concerned with finance management in the same way that finance personnel should be concerned with program/project implementation.

Finance unit acts as the coordinator and facilitator of the different aspects of finance management.

The basic elements of a finance management system are Budgeting, Accounting, Internal Control, Auditing and Analyzing Financial Performance

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2.2 Principles of NGO Financial Management System

The following are the essential characteristics of an effective NGO financial management system.

1. Stewardship - The organization must take good care of the resources it is entrusted with and make sure that they are used for the purpose intended. The Board of Trustees has overall responsibility for this.

2. Accountability - The organization must explain how it has used its resources and what it has achieved as a result to all stakeholders, including beneficiaries. All stakeholders have the right to know how their funds have been used. NGOs have an operational, moral and legal duty to explain their decisions and actions, and submit their financial reports to scrutiny.

3. Transparency - The organization must be open about its work, making information about its activities and plans available to relevant stakeholders. This includes preparing accurate, complete and timely financial reports and making them accessible to stakeholders, including beneficiaries.

4. Integrity - On a personal level, individuals in the organization must operate with honesty and propriety. Trustees and officers should lead by example in following procedures and by declaring any personal interests that might conflict with their official duties. The integrity of financial reports depends on the accuracy and completeness of financial records.

5. Viability - Expenditure must be kept in balance with incoming funds, both at the operational and the strategic levels. Viability is a measure of the NGO's financial continuity and security. The trustees and officers should prepare a financing strategy to show how the NGO will meet all of its financial obligations and deliver its strategic plan.

6. Accounting Standards - The system for keeping financial records and documentation must observe internationally accepted accounting standards and principles. Any accountant should be able to understand the organization's system for keeping financial records.

7. Consistency - The organization's financial policies and systems must be consistent over time. This promotes efficient operations and transparency, especially in financial reporting. While systems may need to be adapted to changing needs, unnecessary changes should be avoided.

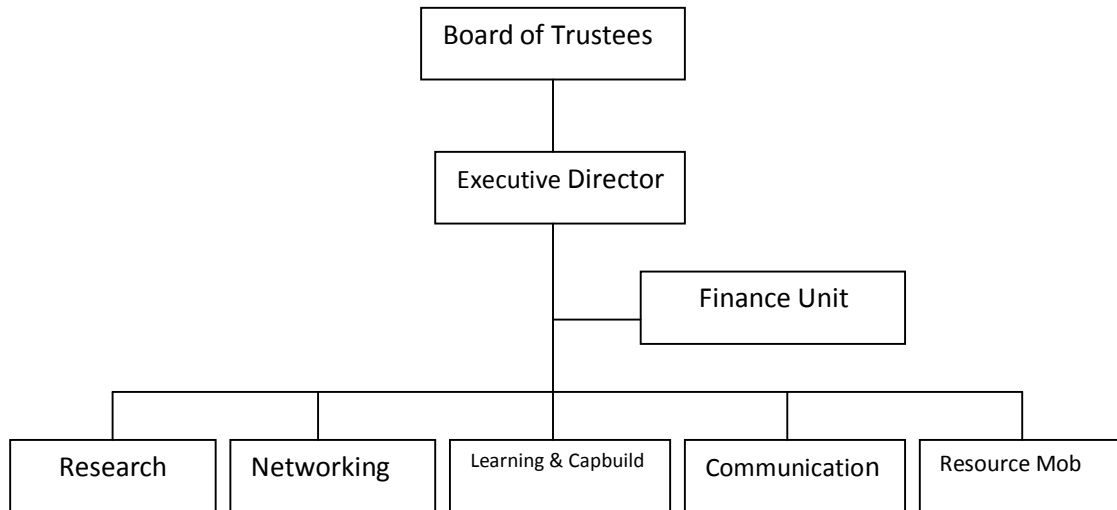
8. Integrated and Synchronized - The financial management system should not be isolated. It has to be linked with other operating systems so that management can have a full grasp of both financial and non-financial picture of operations.

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III. TABLE OF ORGANIZATION

3.1 Organizational Structure



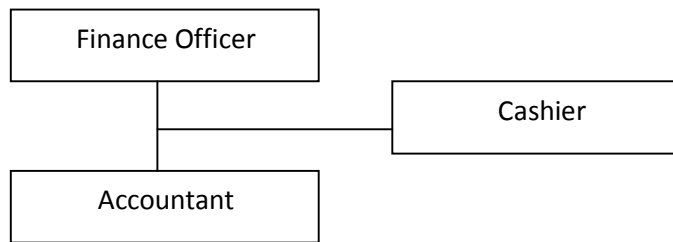
The Board of Trustees shall exercise the corporate powers and has the responsibility for managing and protecting the assets of ANSA-EAP Foundation, Inc. The Board also sets the overall direction of the Foundation. It shall ensure that external financial reporting is accurate and that the financial statements are presented in compliance with the Board of Trustees - approved financial guidelines and in conformity with the Generally Accepted Accounting Principles.

The Secretariat is headed by the Executive Director who is in-charge of the daily operations of the ANSA-EAP Foundation, Inc.

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3.2 Finance Unit Structure



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IV. GENERAL ACCOUNTING SYSTEM

4.1 Basic Features

The general accounting system presents the flow of accounting information from the original source documents (vouchers) to the books of original entry (Journals) and eventually to the book of final entry (general ledger). The book of final entry serves as the basis for the preparation of periodic trial balance and various financial reports.

The system adopts the concept of generally accepted accounting principles based on the framework for Philippine Financial Reporting Standards for Small Medium Entities (PFRS for SMEs).

Note: The 'International Financial Reporting Standard for Small and Medium-sized Entities' (IFRS for SMEs) applies to all entities that do not have public accountability. An entity has public accountability if it files its financial statements with a securities commission or other regulatory organization for the purpose of issuing any class of instrument in a public market, or if it holds assets in a fiduciary capacity for a broad group of outsiders – for example, a bank, insurance entity, pension fund, securities broker/ dealer. The definition of an SME is therefore based on the nature of an entity rather than on its size.

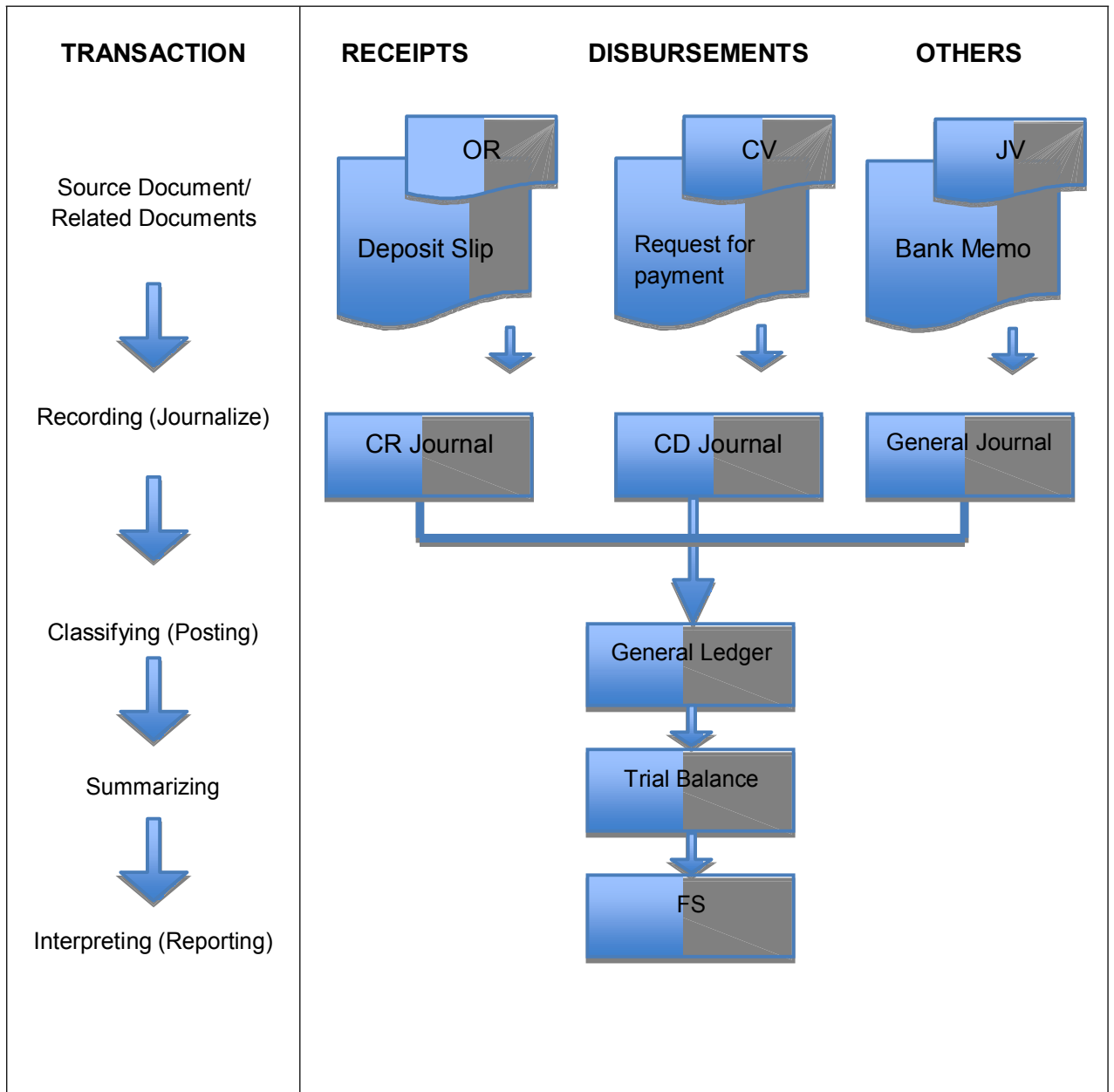
The system is designed for the financial operations of ANSA-EAP Foundation, Inc. as an NGO based on existing manpower but is flexible enough to meet the operational and financial requirements of the donors, creditors and / or parties involved.

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4.2 Accounting Cycle

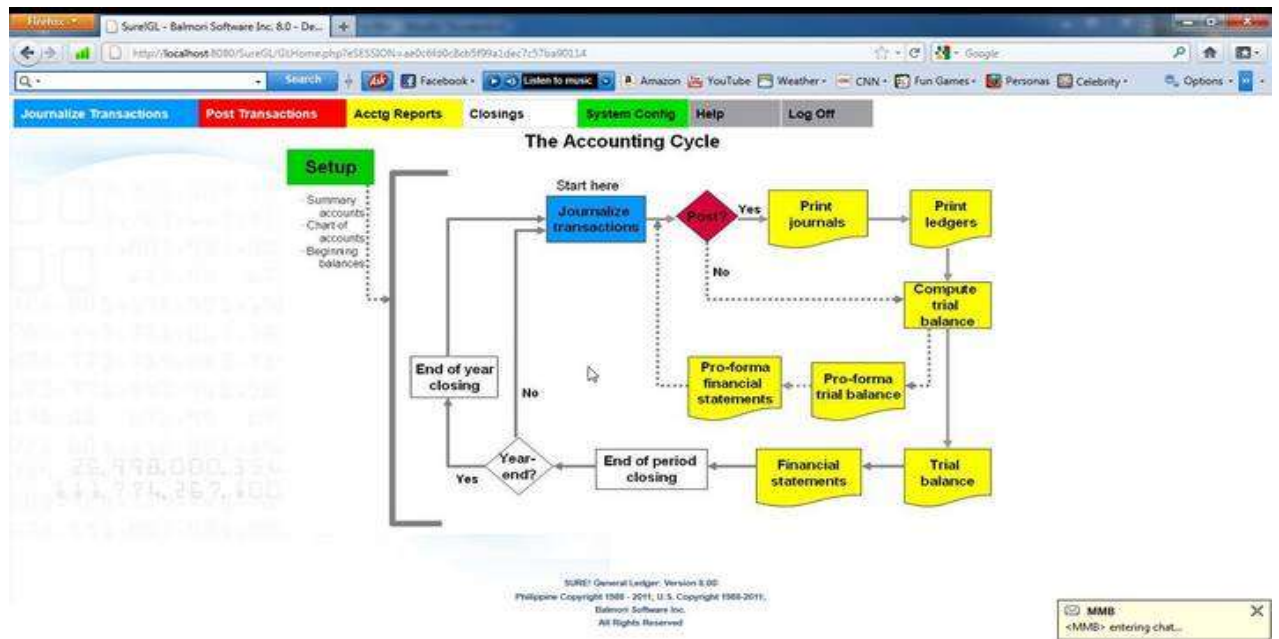
The following accounting cycle is presented to guide management to understand and appreciate accounting as a basic management tool.



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Diagram from SURE GL Manual follows:



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4.2.1 Accounting Cycle Description

Recording – this phase is popularly called journalization. It involves the process of chronological recording into the books of accounts (cash receipts books, cash disbursements book, journal voucher book) of the organization, all financial transactions that take place on a day to day basis in accordance with Philippine Financial Reporting Standards (PFRS) for SMEs.

Classifying – this phase involves sorting or grouping of similar and interrelated transactions and events into their respective classifications. It is performed by posting to the ledger financial transactions which are initially recorded in the books of original entries referred to as journals. The ledger is a group of accounts which are systematically categorized in the following:

- Assets
- Liabilities
- Fund Balance
- Income
- Expenses

Each element is further subdivided into accounts or account titles. An account is the most important accounting device in the classification of recorded transactions and events.

Summarizing – this part involves the preparation of financial statements or reports. Financial statements are usually prepared periodically either annually, semi-annually, quarterly or monthly.

Interpreting – this is the analytical phase. It provides interested groups with quantitative information which are financial in nature and are intended to be useful in making economic decisions.

It is emphasized here the paramount importance of the source documents.

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4.3 Chart of Accounts and Descriptions

This is a listing of descriptive titles used in classifying the organization's many transactions in the day-to-day running of its operations.

A block number is assigned to each account group. This numbering system allows flexibility for creating new accounts without altering existing account numbers. The numbering system has been set up so that transactions are recorded with ease and precision. Each account has a unique code.

The Chart of Accounts is designed to facilitate recording and summarization of transactions and the preparation of the required financial reports.

Accounts are grouped into:

<u>Accounts</u>	<u>Account Code</u>
• Assets	(01000 - 08000)
• Liabilities	(09000 - 13000)
• Fund Balance	(14000 - 15000)
• Income	(16000)
• Expenses	(17000- 22000)

The chart of accounts shall be used to record all transactions.

The present Chart of Accounts was based on the existing programs/activities. New accounts may be added if and when necessary. **See Exhibit A – Chart of Accounts**

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4.4. Book of Accounts and Accounting Software

The books of accounts are designed to record the different transactions in a systematic manner. These are the sources of information for the preparation of management reports.

The present computerized accounting system is designed to complement the manual books of accounts until such time the approval of the BIR for the use of the said accounting system is approved.

Cash Receipts Book (CRB) records all kinds of receipt transactions and is considered a book of original entry

Cash Disbursement Book (CDB) records all transactions involving check disbursements and is considered a book of original entry.

Journal Voucher (JV) is a source document and is a book of accounts to record all non cash transactions. Example of such transaction are adjusting entries, reclassifying entries, liquidation of advances and depreciation of fixed assets.

General Ledger (GL) serves as the book of final entry. This book summarizes all entries in the books of original entry. The account balances in this book are the basis for the preparation of Trial Balance and the Financial Statements.

ANSA-EAP Foundation, Inc. uses SURE! General Ledger accounting software which is a fully developed package. **See Exhibit B - Sure GL Manual.**

With the use of the SURE! GL computerized accounting system; transactions are recorded and printed immediately. There is no need for manual maintenance of journal and ledgers. Journal and ledgers are printed already reflecting latest entries finalized/ posted.

The SURE! General Ledger computerizes the accounting, starting with the maintenance of the Chart of Accounts, journalizing of transactions, preparation and maintenance of Journals and Ledgers, Trial Balance Preparation, Financial Statement Preparation and finally Period End / Fiscal Year End Procedures. It provides dozens of most commonly used accounting reports, and provides a wide range of reports for audit and analysis purposes. The system adopts the concept of Generally Accepted Accounting Principles (GAAP).

SURE! GL handles all steps of the accounting cycle

- Journalize transactions
- Finalize/post transactions
- View/ print journals
- View/ print ledgers
- Trial balance preparation
- Financial statements preparation end of period/ end of fiscal year closing procedures

All reports are

- Viewable on screen
- Printable to paper
- Exportable to spreadsheet or word processor format, at the user's option

The Foundation shall seek BIR approval on the use of computerized books of accounts.

See Exhibit H- BIR Form 1900 (Application Form for Authority to Use Computerized Accounting System or Components Thereof / Looseleaf Books of Accounts)

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4.5. Subsidiary Records

A subsidiary ledger is a record of the details to support a general ledger account where the total equals the control account.

A subsidiary ledger provides more detailed information about individual accounts than a general ledger. The total of all individual accounts in a subsidiary ledger equals the balance of the corresponding summary account (called control account) in the general ledger. The general ledger account is often referred to as the control account.

Example of Subsidiary Ledgers

- Equipment and Furniture Inventory Ledger
- Cash Advance Subsidiary Ledger
- Stock Cards for Materials & Supplies

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4.6 Accounting Forms

The following forms shall be used using the SURE GL accounting system. For easy identification of the forms it may be helpful to assign colors for each:

FORMS	COLOR
Cash Receipt Voucher	Yellow
Check Voucher	Green
Journal Voucher	Pink
General Ledger	Blue

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4.7 Financial Accounting Period

Article VII Section 3 of the Articles of Incorporation of ANSA-EAP Foundation, Inc. states that the fiscal year of the Foundation shall be from January 1 to December 31 each year.

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V. FINANCIAL POLICIES AND PROCEDURES AND INTERNAL CONTROL GUIDELINES

5.1 Policy Statement

Financial resource is an important factor in the Foundation's life. Partners and funding agencies alike entrust ANSA-EAP Foundation, Inc. with resources both generated from within the network and outside.

ANSA-EAP Foundation, Inc. has established the following financial system for use as a credible, judicious and efficient manager of grants and other financial resources.

Given the smallness of the secretariat and its regional operations at this point in time, ANSA-EAP Foundation, Inc. shall maintain a simple financial system.

5.1.1. Guidelines in Formulating Financial Policies

The establishment of the financial management policies and procedures are guided with the following principal objectives:

1. Ensure compliance to general accounting policies and guidelines;
2. Provide for an accurate, reliable and timely reporting and recording of transactions;
3. Safeguard the Foundation's fund thru establishing internal control procedures;
4. Maintain legal corporate books of accounts and financial statements;
5. Provide the Foundation with a mechanism by which financial operating procedures can be effectively implemented and that will enable management to assess performance; and
6. Ensure transparency and accountability in the management of the Foundation's financial resources.
7. Physically safeguard the Foundation's assets i.e. to prevent fraud and other losses;
8. Ensure the accuracy and completeness of the accounting records; and
9. Promote operational efficiency.

To achieve these objectives, the financial management system is designed to include the following basic internal control features:

- Segregation of duties (i.e. physical control over assets must be separated from recording and operational functions);
- Appropriate authorization of transactions;
- Internal check and balances;
- Adequate management supervision;
- Plan of organization; and
- Regular and independent review by an external auditor.

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5.2 Procedures and Internal Control Guidelines

5.2.1 Receipts

Objectives

- To ensure that the receipt of grants, donations and excess of cash advances are recorded accurately and on time.

Scope

This section covers policies and procedures related to the recording of grant, donation, cash and non-cash receipts.

5.2.1.1 Cash Receipts Policies and Procedures

- The Accountant shall record all receipts based on the duplicate copy of Official Receipts (OR) and other supporting documents. Cash receipts include foreign and local donations and excess of cash advances from employees.
- The Accountant shall prepare the cash receipt entries in the SURE!GL Module. (Refer to Chart of Accounts code for the coding scheme in SURE!GL)
- The Accountant shall print a Cash Receipts Voucher (CRV) for the cash receipt entries and sign it. The CRV number shall be automatically generated by SURE!GL for each batch of entries.
- The Finance Officer shall check the CRV against the duplicate copy of OR and supporting documents and sign the CRV and forward it to the Executive Director for approval.
- The Accountant shall post any approved CRV in SURE!GL.
- The Accountant shall file any posted cash receipt CRV (copy of OR and supporting documents attached) into the appropriate file folder.

Illustrative Journal Entries:

Cash in Bank	xxxxx	
Donation		xxxxx

To record cash donation received per OR # 001

Cash in Bank	xxxxx	
Advances to Officers and Employees		xxxxx

To record excess cash advances returned of Juan dela Cruz per OR # 002

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Internal Control Guidelines

1. Official Receipt (OR) shall be issued for all cash/checks received by the Cashier.
2. ORs shall be used in numerical sequence and controlled by the Cashier. Voided or cancelled ORs must be marked "Cancelled" and filed for future reference.
3. A cash box should be used and keys should be secured. Access to the cash box should be limited to the Cashier. In his/her absence, the Finance Officer will take over the responsibility for the cash box.
4. Collections shall not be mixed with any other personal funds nor should it be used for encashment of personal checks or be used to cover office or personal expenses. In other words, undeposited collections should not be used for any kind of expenditure or for encashing of checks whether personal, ANSA-EAP or non-ANSA-EAP checks.
5. All daily collections shall be deposited intact to network depository bank not later than the next banking day. Cash not immediately deposited shall be kept in the cash box and stored in the vault.
6. The Finance Officer will conduct an unscheduled physical count of all undeposited collections periodically. Results of the physical count should be reported immediately to the Executive Director. All collections should be deposited intact to the proper bank accounts. Cash not immediately deposited should be kept in the cash box.
7. Weekly cash position report should be prepared by the Cashier and to be reviewed by the Finance Officer before submission to the Executive Director as part of ANSA-EAP Foundation, Inc.'s cash monitoring system.
8. Separate bank accounts should be maintained for different program funds up to **P500,000** to prevent their co-mingling and to comply with the requirements by the donor/funding agencies.
9. The Accountant shall inspect all used-up OR booklets for completeness as soon as these are received from the Cashier and keep them in a designated box for later reference.
10. Internal control over receipts is present if the functions of receiving cash and issuing ORs are assigned to a person other than the accountant.
11. The Accountant shall prepare monthly bank reconciliation statement for submission to the Finance Officer for review.
12. All receipts of in-kind donations shall also be accounted for.

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5.2.1.2 Non Cash Receipt Policies and Procedures

- a) The Accountant shall record non-cash receipts based on the Receiving Report (RR) and other supporting documents. Non-cash receipts include in-kind contribution e.g. land, building, equipment and furniture, services, etc.
- b) The Accountant shall prepare the non-cash receipt entries in the SURE!GL Module. (Refer to Chart of Accounts code for the coding scheme in SURE!GL).
- c) The Accountant shall print a Journal Voucher (JV) for the non-cash receipt entries and sign it. The JV number shall be automatically generated by SURE!GL for each batch of entries.
- d) The Finance Officer shall check the non-cash receipt JV against the RR and supporting documents. The Finance Officer shall sign the JV and forward it to the Executive Director.
- e) The Executive Director shall perform a final review and sign the non-cash receipt JV for approval.
- f) The Accountant shall post any approved JV in SURE!GL.
- g) The Accountant shall file any posted non-cash receipt JV (RR and supporting documents attached) into the appropriate file folder.
- h) The Finance Officer shall prepare a Certificate of Donation (COD) for donations worth Php10,000 or more and when requested by a donor. A COD shall be issued only once per donation.
- i) The Finance Officer shall obtain the following information on the donor from the JV/OR/RR and confirm these through phone/email:
 - Name of donor
 - Address of donor
 - Tax identification number of donor
 - Amount/item donated
- j) The Finance Officer shall prepare the COD and enter the relevant donor information.
- k) The Finance Officer shall check the COD and forward it to the Executive Director for approval.
- l) The Finance Officer shall photocopy the approved COD for filing and send the original COD to the donor.

Illustrative Journal Entry:

Equipment	xxxxx	
Donation (Equipment)		xxxxx
To record receipt of donated equipments		

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Internal Control Guidelines

1. To ensure accurate preparation of Certificates of Donation, the Finance Officer checks and the Executive Director approves all Certificates of Donation before forwarding it to external entities.
2. To prevent irregularities on the use of Certificates of Donation, a Certificate of Donation shall only be issued once per donation and with control number indicated.
3. To ensure accurate matching of receipts and timely preparation of financial statements, the cut off date for recording receipts shall be the 5th of the following month.

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5.2.2 Disbursements

Objectives

- To ensure that payables and disbursements are duly authorized and fully supported; and
- To ensure that payables and disbursements are accurately and completely recorded on a timely basis.

Scope

This section covers policies and procedures related to the processing and recording of disbursements e.g. check transactions, petty cash fund, cash advances & liquidations, payroll, property & equipment & purchases of the Foundation.

5.2.2.1 Check Payments Policies and Procedures

- Request for Payment (RP) shall be accomplished by the staff concerned, recommend approval by the Project/Program Coordinator or Unit Head and checked funding availability and chargeability by the Finance Officer.
- The Accountant shall process all payments based on the approved Request for Payment (RP) and supporting documents.
- All RP received before Wednesdays of the week shall be processed on or before Thursdays. All RP submitted after the cutoff day shall be processed on the following week, with the exception of emergency payments which must be duly approved by the Executive Director.
- Based on the RP and supporting documents, the Accountant shall process the Check Voucher (CV) for the disbursement entries in the SURE!GL Module. (Refer to Chart of Accounts code for the coding scheme in SURE!GL).
- The Accountant shall prepare the CV and check and sign the 'prepared by' in the CV. The CV number shall be automatically generated by SURE!GL for each batch of entries.
- The Accountant shall forward the CV set to the Finance Officer for review.
- The Finance Officer shall check the CV and check against the RP and supporting documents sign the 'checked by' in the CV and forward it to the Executive Director for approval.
- Two (2) check signatories authorized by the Board shall review and sign the check.
See Exhibit E - Signing authority.
- The Accountant shall post the approved CV in the CV module in SURE!GL.
- The Accountant shall keep all processed Check Voucher set (Copy of Check, CV and supporting documents attached) and file them in the appropriate file folder.
- Checks shall be released by the Cashier.

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Illustrative Journal Entry:

Communication Expense	xxxxx	
Cash in Bank		xxxxx

To record payment of telephone charges with internet for the month

Internal Control Guidelines

1. All disbursements other than those from the petty cash fund should be made by checks.
Exception: Cash payment may be made from accounts with no Checking account e.g. \$ Savings Account.
2. Disbursements must not be taken directly from undeposited collections.
3. Request for Payment (RP) shall be accomplished for all payments made.
4. All Check Vouchers (CV's) must be pre-numbered (or numbered as used per bank account) for monitoring and control purposes.
5. All checks must be made payable to a specific payee. Checks payable to "Cash" or to "Bearer" are not to be allowed.
6. In all cases, there must be at least two (2) checks signatories who are named in a Board Resolution made through a Secretary's Certificate.
7. Authorized signatories will not sign checks without the necessary supporting documents.
8. In no particular case should the approving officer in the Request for Payment be the same person as the Payee of the check. These should be two different persons.
9. The expenditure should be based on approved budget items only or in exceptional cases approved by authorized signatories based on project/operational requirements
10. All CVs together with supporting documents should be stamped "Paid" with the date of payment indicated thereon to prevent the possible recycling of supporting documents for illegal payments.
11. Spoiled or voided checks must be properly marked "Cancelled" and filed for future reference.
12. Person receiving the check should acknowledge receipt of payment by signing on the corresponding CVs.
13. Payment will only be made with an original receipt/invoice and with an authorization from the authorized personnel, in case of a representative.
14. The Accountant shall prepare a monthly bank reconciliation statement for submission to the Finance Officer for review.
15. Internal control over expenditure payments and other disbursements is best maintained when the processing, checking-signing, recording and bank reconciliation function are clearly segregated.
16. All checks should be supported by *original invoices, receipts, and other supporting documents such as purchase orders, delivery receipts* that are required to establish integrity of the transactions and approval indicating receipts of goods or services.

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17. Expenditures payment can be made thru checks or wire transfers or when the amount is P 3,000.00 or less, thru the Petty Cash Fund.

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5.2.2.2 Petty Cash Fund Policies and Procedures

- a) A Petty Cash Fund (PCF) amounting to twenty thousand Pesos (P20,000) shall be established.
- b) This shall be used to cover all minor and recurring expenses and/ or advances of all projects/ program or unit such as:
 - Transportation expenses
 - Communication expenses
 - Office supplies
 - Training/seminar expenses
 - Cash advances
 - Cash purchases
- c) The fund shall be kept under the imprest system. *(At any time, the PCF set-up of P20, 000 shall be equal the sum of the unreplenished cash vouchers, unliquidated cash advances, plus the remaining cash of the Fund)*
- d) The PCF custodian shall make a maximum single disbursement limit of three thousand pesos (P3, 000.00) from the fund and all disbursements exceeding this limit shall be paid in check.
- e) The Finance Officer shall review and approve the PCF expenses based on approved work plan/budget and/or the Foundation’s policy.
- f) The PCF custodian prepares PCF Replenishment Report when the fund balance reaches 50% of the total amount to avoid deficiency of PCF.
- g) The approved PCF Replenishment Report shall be submitted to the Accountant together with the Request for Payment.

(pls refer to the check payment policies and procedures for the next steps)

Illustrative Journal Entry:

Travel Expense	XXXXX	
Representation & Meetings	XXXXX	
Pantry Expense	XXXXX	
Office Supplies	XXXXX	
Cash in Bank		XXXXX

To record petty cash fund replenishment for the period January 1-10

Internal Control Guidelines

1. The Fund shall be physically segregated from the custodian’s personal and other cash funds.
2. The Fund shall not be used to accommodate personal and/or company checks issued by other parties.
3. The Finance Officer shall conduct an unscheduled physical count of the PCF periodically.
4. The PCF vouchers and all supporting documents shall be stamped “Paid”, with the date of payment indicated thereon to prevent re-use of supporting documents.

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5. The custodian shall maintain a cash box and the keys shall be under her safekeeping. Access to the Fund should be restricted only to the custodian.
6. Cash advances from the petty cash fund shall be liquidated within three (3) working days from the last day of activity/purchase.
7. Liquidation reports shall be reviewed and approved by the respective Project / Program Coordinator or Unit Head.
8. No cash advance shall be granted to employees with existing unliquidated cash advance.
9. No personal cash advance must be allowed from the PCF.

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5.2.3 Cash Advances and Liquidations

Objectives

- To ensure that outstanding cash advances are regularly monitored.
- To ensure that cash advances records are properly maintained and updated.

Scope

This section covers policies and procedures related to the recording of cash advances and liquidation for officers and employees of the Foundation.

Cash Advance Request and Liquidation Policies and Procedures

- a) Request for Cash Advance (RCA) thru check disbursements shall be prepared for all cash advances of the staff concerned to be endorsed by the Project/Program Coordinator or Unit Head and checked for funding availability and chargeability by the Finance Officer.

The accountant shall process the request for cash advance based on the approved RCA.

(pls refer to the check payment policies and procedures for the next steps)

- b) Within 15 days from the date the activity (for which the cash advance was made) is conducted or accomplished, the staff concerned shall prepare the Liquidation Report (LR) and submit to the Project/Program Coordinator or Unit Head for endorsement.
- c) The following shall be presented and attached to the LR (whenever required, necessary and applicable):

Activity/Event	Supporting Documents
<ul style="list-style-type: none"> • Trainings / Seminars / Conferences / Workshop 	<ul style="list-style-type: none"> • Abstract of Canvass • Billing Statement • Official Receipt • Attendance Sheet/ List of Participants with Meal Allowance • Activity Report (to be filed separately) • Acknowledgement Receipt (payment or reimbursement for honoraria, transportation, per diem, etc. to partners) • Fares Ticket / Terminal Fee/ Transportation Report
<ul style="list-style-type: none"> • Monitoring Visits 	<ul style="list-style-type: none"> • Official Receipt • Activity / Monitoring Visit Report (to be filed separately) • Acknowledgement Receipt (payment or reimbursement for honoraria, transportation, per diem, etc. to partners) • Fares Ticket / Terminal Fee/Transportation Report
<ul style="list-style-type: none"> • Meetings 	<ul style="list-style-type: none"> • Minutes of the Meeting (to be filed separately) • Attendance Sheet/ List of Participants with Meal Allowance • Billing Statement • Official Receipt • Acknowledgement Receipt (payment or reimbursement for honoraria, transportation, per diem, etc. to partners) • Fares Ticket / Terminal Fee/ Transportation Report

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- d) The Accountant shall check the LR on its mathematical computations and the completeness and validity of all relevant supporting documents.
- e) The Accountant shall notify the concerned officer/employee on the result of the checking and validation performed.
- f) Any cash advance which is insufficient for covering expenses shall be reimbursed through the petty cash fund (for amounts less than Php3,000) or through check issuance (for amounts greater than or equal to Php3,000). A reimbursement form and a RP shall be accomplished for this purpose and shall be duly checked and approved by the project coordinator and the finance officer.
- g) The Accountant shall record cash advances liquidations from officers and employees based on the approved LR and complete supporting document.
- h) The Accountant shall prepare the cash advances liquidation entries in the SURE!GL Module. (Refer to Chart of Accounts for the coding scheme in SURE!GL).
- i) The Accountant shall print a Journal Voucher (JV) for the cash advances liquidation entries and sign it. The JV number shall be automatically generated by SURE!GL for each batch of entries.
- j) The Finance Officer shall check the cash advances liquidation JV against the LR and supporting documents. The Finance Officer shall sign the JV and forward it to the Executive Director.
- k) The Accountant shall also post any approved JV in SURE! GL
- l) The Accountant shall file posted cash advances liquidation JV (LR and supporting documents attached) into the appropriate file folder.
- m) The Accountant shall prepare a Schedule of Unliquidated Cash Advances (SUCA) with overdue cash advances highlighted per program/department. The Finance Officer shall check and approve the SUCA and forward them to the respective Unit Head and/or Program/Project Coordinator.

Illustrative Journal Entries

Advances to Officers & Employees	xxxxx	
Cash in Bank		xxxxx

To record cash advance of Juan dela Cruz for staff development

Travel Expenses	xxxxx	
Honorarium	xxxxx	
Office Supplies	xxxxx	
Advances to Officers & Employees		xxxxx

To record liquidation of advances of Juan de la Cruz related to staff development

Internal Control Guidelines

- a) To ensure accurate recording of cash advance liquidations, these shall be recorded on the day these are received based on the LR (checked and approved by the Project/Program Coordinator or Unit Head) and the appropriate supporting documents.
- b) To ensure accurate encoding of cash advance liquidation entries by Accountant into SURE GL, entries shall be checked against supporting documents by the Finance Officer prior to posting.

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- c) To prevent the irregular use of cash advances, cash advances shall be liquidated within 15 days from the end date that the activity (for which the cash advance was made) is done or accomplished. The Accountant shall prepare the Schedule of Unliquidated Cash Advances periodically and forward this to Project/Program Coordinator or Unit Head to follow-up overdue cash advances. Additionally, cash advances shall not be approved for officers/employees with overdue unliquidated cash advances.
- d) To ensure proper control on the inflow of cash, any cash advance which exceeds the liquidation amount shall be returned through the cashier.

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5.2.4 Payroll Processing Policies and Procedures

Objectives

- To ensure that payroll is computed and recorded accurately and on time.

Scope

This section covers policies and procedures related to payroll preparation and payment.

Policies and Procedures

- The Admin/HR Officer shall prepare the payroll based semi-monthly accomplishment report endorsed by Project/ Program Coordinator or Unit Head and compute deductions from employee cash advances (overdue cash advances, personal calls, etc.) .
- The Admin/HR Officer shall submit payroll register and supporting documents at least two working days before the 10th and 25th of the month. These supporting documents include accomplishment report; report on adjustments, deductions, loans.
- The Accountant shall check the Payroll Register and shall prepare an Authority to Debit (AD) with the total amount of payroll to be submitted to the bank.
- The Finance Officer shall check the AD against the Payroll Register (PR) and supporting documents. Any PR with mathematical errors/discrepancies shall be returned to the Accountant for revision. The Finance Officer shall forward the final AD to the Executive Director for approval.
- The Admin/ HR Officer shall distribute the pay slip and to be properly acknowledged by the staff.
- The Accountant files the payroll register and supporting documents together with the receiving copy of the AD.

Illustrative Journal Entry:

Salaries and Wages	xxxxx
Withholding Tax Payable	xxxxx
Loans Receivable	xxxxx
Cash Advance	xxxxx
Salary Loan	xxxxx
Cash in Bank	xxxxx

To record payroll payment for the period January 1-15

Internal Control Guidelines

- To ensure matching of receipts and timely preparation of financial statements, the cut off date for processing of requests for payments (RP) shall be the Tuesdays of the week.
- To ensure accurate encoding of expense entries by Accountant into SURE!GL, entries shall be checked against supporting documents by the Finance Officer prior to posting.

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3. To ensure accurate release of the payroll, Accountant shall check the Payroll Register against semi-monthly accomplishment report, receivables/ loans before the Authority to Debit is prepared.
4. To ensure accurate computation of payroll, the Admin/HR Officer shall check the Employee Master File against the Adjustment Salary Sheet and Contract for Services before the new salary amount is applied.
5. To ensure accurate release of the payroll, the Accountant shall check against the Payroll Register and supporting documents and the Finance Officer shall approve the Authority to Debit.

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5.2.5 Property and Equipment

Objectives

- To ensure that property and equipment acquisition and donation/disposal are recorded promptly and accurately.
- To ensure proper recording of depreciation of property and equipment.

Scope

This section covers policies and procedures related to the recording of property and equipment definition and recording.

Property and Equipment Policies and Guidelines

1. Definition

The following shall be the guidelines in classifying tangible assets as property & equipment:

- The asset shall be used in the conduct of the business.
- The asset is not intended for sale in the ordinary course of business.
- The asset has an estimated useful life beyond one year.
- The cost of the asset is Php5,000 or more.

2. Property & equipment shall include the following:

- Computer systems and equipment
- Computer software
- Office equipment
- Furniture and fixtures
- Transportation equipment
- Building & building improvements
- Leasehold improvements

3. Capitalization Policy

- Property & equipment shall be carried in the books at cost. Property & equipment balance for financial statement presentation shall be valued at cost less accumulated depreciation.
- Assets amounting to Php5,000 or more shall be recorded as Property & Equipment and those amounting to below Php5,000 shall be expensed out.
- Improvements to property & equipment shall include the replacement of a part, unit or component of the property that will appreciably extend the life, increase the capacity or improve the efficiency or safety of the property. The amount capitalized shall be Php5,000 or more; otherwise, it shall be charged to the current operations under the appropriate expense account.
- Improvements that prolong the life of the property or equipment shall be debited to the Property & Equipment account.
- Additions, improvements, replacement and repairs to property and equipment that do not appreciably extend the life, increase the capacity and improve the efficiency of the asset shall be charged to current operations under the appropriate expense account.

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- Fully depreciated property and equipment which are still serviceable shall be retained in the books with a nominal value of Php1.00. Such value shall be retained until the property/equipment is sold, retired, written off or declared as non-existent.
- Depreciation of property and equipment shall begin on the month of acquisition of the property/equipment.

Internal Control Guidelines

- To ensure accurate recording of fixed assets, guidelines for classifying tangible assets as property and equipment (e.g., use of the asset, cost of the asset, type of asset) and for applying depreciation to these assets (e.g., useful life, asset type) are to be followed. Additionally, the recording of fixed assets in the Lapsing Schedule shall be based on the Memorandum Receipt for assets purchased/received by the Foundation and Certificate of Donation for assets donated to the Foundation.
- To ensure accurate valuation of fixed assets, these shall be recorded at cost and valued at cost less accumulated depreciation for a particular point in time. Improvements to these fixed assets shall also be capitalized if appropriate considering the above-mentioned guidelines.
- To ensure accurate depreciation of fixed assets, depreciation shall be recorded in the Lapsing Schedule (containing the appropriate details) based on the Subsidiary Ledger and shall be reviewed and approved by the Finance Officer. Additionally, depreciation shall begin on the month of acquisition of the fixed asset.
- To reflect the existence of fully depreciated property and equipment, these shall be retained in the books with a nominal value of Php1.00.

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5.2.6 Procurement

Objectives

- To ensure that purchases are made from legitimate, reputable, reliable, competent, technically capable and responsible suppliers of goods and services
- To ensure that suppliers selected will provide products/ services with the desired quality who meet its requirements and standards at the lowest price possible
- To ensure that supplier selection is conducted with integrity, fairness, and openness, ensuring a competitive procurement

Scope

This section covers policies and guidelines related to purchasing activities.

Procurement Policies and Guidelines

1. General/ Standard Policy

To establish full and open competition (FOC), in order to eradicate partiality, favoritism, political lobbying, and bribery.

2. Procurement Strategy

Competitive procurement is the strategy for contractual acquisition of goods or services, enabling all deemed responsible sources to compete in a fair and open environment. While procurement is supposed to bring fairness, impartiality and transparency, a competitive procurement process will ensure the highest level of openness, thus maximizing the suitability of the requested assets or services, and the best return on investment (ROI).

3. Different Procurement Methods

The Foundation will be guided by the following procurement methods.

Procurement method is the manner chosen to perform a contractual acquisition. Procurement methods could be any of the three following:

1. *Simplified acquisitions*, like *micro-purchases*, *small purchases*;
2. *Full and open competition* (FOC), like *bids*, *proposals*; or
3. *Other than full and open competition* (OFOC), like *sole source*.

1. *Simplified acquisition is* a procurement method used for acquisitions for which the amount does not exceed P10, 000 as the purchase threshold. Minimal documentation is usually required, including a determination that the price is fair and reasonable; and material on how this determination was derived.

2. *Full and Open Competition (FOC)* is the formal solicitation and selection process for acquisitions for which the amount exceeds the threshold amount of simplified acquisition

The competitive procurement methods available for use in fulfilling the requirement for full and open competition in the acquisition process are:

- ❖ sealed bidding, relying on bids, also called sealed bids;
- ❖ negotiated procurement, relying on competitive proposals; and
- ❖ two-step sealed bidding, a combination of bidding and negotiating.

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Sealed Bidding (Sealed Bids)

Sealed bidding is a competitive procurement method used when the best value is expected to result from a selection of the lowest evaluated priced offer. It uses a solicitation document called invitation for bids and involves the following steps:

1. Preparation of invitation for bids
2. Publicizing of invitation for bids
3. Receipt of bids
4. Public opening of bids
5. Evaluation, and comparison of bids
6. Selection of the lowest-priced technically acceptable solution
7. Award of contract

Sealed bids are normally solicited if

- Time permits the solicitation, submission, and evaluation of sealed bids;
- The award will be made on the basis of price and other price-related factors;
- It is not necessary to conduct discussions with the responding providers about their bids; and
- There is a reasonable expectation of receiving more than one sealed bid.

Negotiated Procurement (Competitive Proposals)

Negotiated procurement is a competitive procurement method used when the best value is expected to result from selection of technically acceptable proposals, with the lowest evaluated price when cost is not the most important factor of evaluation.

The negotiated procurement method relies on a solicitation document called request for proposals and involves the following steps:

1. Preparation of request for proposals
2. Release of a public notice of solicitation
3. Receipt of letters of intent and no-bid letters
4. Pre-proposal meeting, mandatory or optional
5. Receipt of proposals and proposal cover letters, kept closed in a secure place until due date
6. Addenda or amendments to the RFP and, eventually, extension of the proposal receipt due date
7. Modification of the initial RFP, modification and receipt of proposals, and, eventually, extension of the proposal receipt due date
8. Disqualification of proposals, proposals returned unopened
9. Proposal opening at proposal receipt due date
10. Rating, scoring, and sorting proposals in a decision matrix
11. Selection of the best matching proposals
12. Reject non-responsive proposals or non-responsible providers
13. Providers contacted and requested for their best and final offer (BAFO)
14. Selection of the best matching proposal
15. Decline unsuccessful proposal
16. Handling of protest letters
17. Award notice

Competitive proposals are normally solicited when

- the use of sealed bids is not deemed appropriate; or
- it is necessary to conduct discussions with providers, because of differences in areas such as law, regulations, and business practices, especially for contracts to be made abroad.

Two-step Sealed Bidding

Two-step sealed bidding is competitive procurement method that is a combination of the two aforementioned competitive procurement procedures, and is designed to obtain:

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- the benefits of negotiation for helping the requesting organization complete or define specifications without any pricing consideration; and
- the benefits of sealed bidding for getting the best price for the technically acceptable solution agreed-upon.

Two-step sealed bids can be used in preference to negotiated procurement when all of the following conditions are present:

- Specifications are not definite or complete or may be, without further technical evaluation or discussion, too restrictive to ensure mutual understanding between each source and the requesting organization;
- Definite criteria exist for evaluating technical proposals;
- More than one technically qualified source is expected to be available;
- Sufficient time will be available for use of the two-step sealed-bidding method; and
- A firm-fixed-price contract or a fixed-price contract with economic price adjustment will be used.

3. *Other than Full and Open Competition (OFOC)* is a procurement method considered to be exception from the standard competitive procurement and to be used only under certain, well-defined conditions, and to be carefully and thoroughly justified and documented. OFOC cannot be justified by reasons such as failure to plan in advance, or concerns about the availability of related funds or budget.

Sole source is an example of non-competitive procurement or purchase process accomplished after soliciting and negotiating with only one source, so-called sole source, thus limiting full and open competition. It is justified under one of seven specific circumstances or justifications as follows:

1. Only one responsible source and no other supplies or services will satisfy requirements
2. Unusual and compelling urgency
3. Industrial mobilization; engineering, developmental, or research capability; or expert services
4. International agreement
5. Authorized or required by statute
6. National security
7. Public interest

Although only one of these conditions may justify setting competition aside, each and any of them present limitations that are supposed to hamper, or limit, their abuse.

If a sole source acquisition is ethical, it can shorten the acquisition process, and lead to several benefits:

- a reduced decision cycle (in other words, less time is required to award contracts);
- lowered administrative costs (the procurement process is reduced to a minimum);
- prices reflecting the best value;
- better promoted small business participation; and
- improved delivery of products and services.

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5.2.7 Accounting of Counterpart Contributions

1. Guidelines

All counterpart contributions need to be properly accounted for and recorded.

It has to be properly disclosed in the financial report in order to provide a complete picture of the financial transactions of the Foundation.

Counterpart Contributions can be in the form of cash or in kind.

- Cash contributions are cash expenses paid out of the general fund or other grant funds of the Foundation / Member/ partner organization.
- In-kind contributions may be in the form of manpower services, use of equipment, office space and other physical facilities.

2. Sources of Counterpart Contributions

Counterpart Contributions to the project are from several sources. These are:

- General Fund of the Foundation
- Counterpart of the Member/ Partner organization
- Grant funds from other donor agencies (both foreign & local) or donations from private groups and individuals

3. Valuation of Counterpart Contributions

Valuation of cash and in-kind counterpart contribution shall be as follows:

a. Cash contributions

- Cash Funds – actual value of cash funds contributed
- Services Provided by Individuals – actual salary paid to the individual, including all benefits, multiplied by the percentage of time actually spent working for the project.
- Consumables such as office supplies, transportation fares, etc. are calculated at the actual value.
- Commodities: all new items purchased solely for the project are calculated at purchase price.
- Rental, Utilities (such as electricity and water), Legal and other Service Fees: shall be based on the actual amount spent (usually the total bill multiplied by the percentage of space or amount of time used for the project.)

b. In kind Contributions

- Services Volunteered to the Project – volunteer services can be considered as counterpart. The approximate value of the individual time is based on the local salaries paid for similar services multiplied by the amount of time actually spent on the project.
- Use of Space and Land – the value of donated space for office use and meetings/ seminars shall not exceed the fair market value of comparable space. (If rent is actually paid for the office space, it is considered a cash contribution). The use of land should be calculated based on its fair market value.
- Commodities – can be calculated by any of the following:

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- Using an acceptable method of depreciation based on the original price and estimated life of the commodity. The depreciation accumulated during the project period becomes the contribution.
- The approximate local value of similar commodities, if rented locally, can be considered the value of the contribution.

4. Documentation of Counterpart Contribution

Cash Contributions must be properly documented and supported by a photocopy of Official Receipts issued or a photocopy of cash / check vouchers and the necessary supporting documents (invoices, official receipts) while a Certificate of Local Counterpart Funding must support In-kind Contributions.

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VI. END OF MONTH CLOSING

Objectives

- To ensure that transactions for the month are properly recorded in a timely manner.
- To ensure that all accounts are reconciled every month.

Policies and Guidelines

6.1 Month - End Book Closing

- a. The Accountant shall start the month-end closing of the books on the 5th day of the succeeding month for the period covering the preceding month.

6.2 Bank Reconciliation

- 1) The Accountant shall request Bank Statements from the bank for all the bank accounts of the Foundation at the start of the month-end closing of the books.
- 2) The Accountant shall clear all processed checks in the SURE!GL Module and prepare reconciling entries for checks with discrepancies. The Finance Officer shall check the reconciling entries and post these in SURE!GL.
- 3) The Accountant shall print the Bank Reconciliation Statement (BRS) after reconciliations are posted (if there are any) and sign it.
- 4) The Finance Officer shall check the BRS against the Bank Statement. Any BRS with mathematical errors/discrepancies shall be returned to the Accounting Assistant for revision. The Finance Officer shall sign the BRS and forward it to the Executive Director.
- 5) The Finance Officer shall approve, sign and post the BRS before returning it to the Accounting Assistant.
- 6) The Accountant shall file the BRS (with Bank Statement attached) in the appropriate file folder.

6.3 Cash Advance Liquidation

- 1) The Accountant shall record the liquidation of cash advances (disbursements)).
- 2) The Accountant shall prepare the cash advances liquidation entries in SURE! /L Module. (Refer to Chart of Accounts codes for the segment coding scheme in SURE!GL).
- 3) The Accountant shall print a Journal Voucher (JV) for the cash advances liquidation entries and sign it. The JV number shall be automatically generated by SURE!GL for each batch of entries.
- 4) The Finance Officer shall check the cash advances liquidation JV against the LR and supporting documents. Any JV with mathematical errors/discrepancies shall be returned to the Accountant for revision. The Finance Officer shall forward the signed the JV to Accountant for approval and posting.
- 5) Finance Officer shall approve and post any JV in SURE!GL.

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6.4 Property & Equipment Depreciation

- 1) The Accountant shall prepare depreciation entries in the SURE!GL Module. (Refer to Chart of Accounts code for the coding scheme in SURE!GL).
- 2) The LS must bear the approval of the Finance Officer before it can be used to prepare the depreciation entries in SURE!GL.
- 3) The Finance Officer shall check the JV against the LS. Any JV with mathematical errors/discrepancies shall be returned to the Accountant for revision. The Accountant shall post any approved JV in SURE!GL.
- 4) The Accountant shall file the JV into the appropriate file folder and return to LS to its file folder.
- 5) The Accountant shall remove all zero balance property & equipment from the LS at the start of every year or whenever necessary.

6.5 Accounts Adjustment

- 1) The Accountant shall initiate adjustment of accounts for the following:
 - Property & equipment reconciliation
 - Provision for Impairment or Write off on bad debts
 - Other necessary adjustments
- 2) Property & equipment reconciliation shall be supported by the approved Inventory Report received from the Admin Officer.
- 3) Long outstanding accounts receivables with provision for non collectability shall be supported by an aging analysis and/or other documents related to the efforts done to collect.
- 4) The Finance Officer shall recommend which Accounts Receivables shall be written off as bad debts after one year of documented regular follow-ups without any response, pending the evaluation approval of the Executive Director.
- 5) Other necessary adjustments (e.g. accruals for utilities every year end) shall be supported by the appropriate documents and approved by the appropriate authority.
- 6) All adjustment JV have to be signed and approved by the Finance Officer before posting to SURE!GL.

Internal Control Guidelines

- 1) To ensure timely preparation of financial statements, month-end closing of the books shall start on the 5th of the following month.
- 2) To ensure accurate recording of month-end entries, these shall be recorded based on the corresponding supporting documents (e.g., Bank Statement for bank reconciliation approved Lapsing Schedule for depreciation, Liquidation Report and Official Receipts for officer/employee cash advances liquidation,, approved Inventory Report for property and equipment reconciliation).
- 3) To ensure accurate encoding of receipt entries by Accountant into SURE!GL, entries shall be checked against supporting documents by the Finance Officer prior to posting.

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- 4) To ensure clean-up of expected receivables, bad debts shall be written-off upon approval of the Executive Director after the Finance Officer recommended so and shall supported by written documentation of follow-ups without any response.

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VII. BUDGETING

7.1 Basic Features

A budget is a "plan of action." Budgeting means planning and analyzing the costs of the activities of the organization. It represents the Foundation's blueprint for the coming months, or years, expressed in monetary terms.

Budgeting is a key management tool. It is a mechanism that allows us to translate into financial terms the programs and operations of the Foundation.

7.2 Functions of Budget

1. The Planning Function

The planning function of a budget is to record, in monetary terms, what the realistic goals or objectives of the organization are for the coming year (or years). The budget is the financial plan of action which results from the decisions as to the program for the future.

2. The Control Function

The control function of a budget is to provide a tool to monitor the financial activities throughout the period. Properly used, the budget can provide a benchmark or comparison point which will alert the management to the first indication that the financial goals won't be met. For a budget to provide this type of information and control, the following elements must be present:

1. The budget must be well-conceived, and have been prepared or approved by the governing body.
2. The budget must be broken down into periods corresponding to the periodic financial statements.
3. Financial statements must be prepared on a timely basis throughout the year and a comparison made to the budget, right on the statements.
4. The governing board must be prepared to take action where the comparison with the budget indicates a significant deviation.
5. The principles of fiscal prudence and value for money spending shall be adhered to.

7.3 Organizational Budgeting

1. The Unit Head or Program/ Project Head shall prepare his/her department yearly budget every last quarter of the year for submission to Finance Officer for review and presentation during the year end evaluation and planning.
2. The budget shall be structured as direct program/department cost and recurrent overhead expenses.
3. Key assumptions shall be stated.
4. The Finance Officer shall consolidate the budget of all departments for presentation to the Executive Director
5. Budget hearing will be conducted to discuss the budget clarification/ justification.

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6. The result of the budget hearing shall be communicated to the Executive Director and further presented to BOT for approval.

7.4 Project Budgeting

1. Annual Budget of the foundation shall be presented to the BOT for approval.
2. Coordination between project management team and finance management team is important during budget preparation. (There should be an appreciation/ recognition in the importance of the finance management roles to the project by and vice versa)
3. Project Budget will be prepared based on the proposed projects
 - a. General & Specific objectives
 - b. Project components and key activities
 - c. Summary of Project Activities, Expected Outputs and Time-table
 - d. Project Management
 - e. Sustainability
 - f. Project Budget
4. Budget amount will be based on actual cost plus an allowance for adjustments.
5. Budget items/expenses have to be categorized into project and administrative expenses. Budget expenses incurred for project, including salaries of project personnel, should be project costs while expenses for administration should be recurrent / administrative expenses.
6. % of direct project vs. indirect/ recurrent cost will have to be maintained within allocation ratio.
7. Direct and indirect costs of personnel have to be included.
8. Administrative/recurring expenses have to be shared among projects. Common costs may be distributed proportionally based on cost.
9. The rule of thumb in budgeting depends on the plan. It is important that the budget should coincide with the plans and when the outputs need to be delivered.
10. Allocation policy of expenses shall be noted, some donors allow administrative costs to be 10% to 20% of total costs

(NGOs or Foundation are required to maintain the 70:30 ratio of program vs. administrative expenses - per SEC guidelines and Corporation Code for nonstock, non profit corporation)

7.5 Budget Monitoring

1. Budgets are used for monitoring through comparison and analysis between budgets and actual expenditures as well as comparing budget performance between periods (months, quarters, and years)
2. The Finance Officer shall prepare Quarterly Budget Status Reports on actual expenses against budget for submission to the Executive Director as a tool to determine budget performances and / or availability.
3. Quarterly meeting with the Program/ Unit heads shall be conducted to discuss budget variances.
4. Under spending is not necessarily savings. Under or over spending should be analyzed and necessary recommendations should be made regarding significant under or over spending

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5. A policy on allowable deviations for each line item should be part of the budgeting guidelines depending on the donor's guidelines/practice
6. Review of budget vs. actual expenditures shall be conducted to determine financial goals and objectives of the Foundation are being achieved effectively and efficiently.

7.6 Budget Re alignments

1. Any budget balance at the end of each project may be re-aligned for any additional activity or additional work to be performed which will show favorable impact on the targets, objectives and goals of the project, subject to the set of guidelines of the donor.
2. Any budget balance within the project period may be re-aligned if within tolerable variance of the donor or based on the guidelines of donors.
3. Generally, any excess funds from restricted projects are to be returned to the donor unless otherwise agreed by both parties that the excess funds can be retained by the Foundation and therefore credited to unrestricted support/General Fund. However, any excess funds from unrestricted projects may be transferred to General Fund upon approval by the BOT.

7.7 Budgetary Calendar

1. Annual operating plans and budget shall be prepared and presented to the BOT at its last meeting before the year ends or the first meeting of the New Year.
2. Budget for project proposals shall be prepared as needed.

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VIII. FINANCIAL ANALYSIS

8.1 Objectives of Financial Statement Analysis

1/ It is used to judge past performance and current position: Past performance is often a good indicator of future performance; an analysis of current position will tell where the organization stands today e.g. it tells what the cash position is, what assets it owns, how much debts, etc.

2/ It is used to judge future potential and the risk connected with the potential. The past and present information is useful only to the extent that it bears on decision about the future. The potential associated with an investment in an established and stable institution is relatively easy to predict on the basis of the institution's past performance: to compensate for higher risk, a creditor demands a higher interest rate.

8.2 Basic Methods in Analyzing Financial Statements

To make rational decisions in keeping with the objectives of the Foundation, responsible officers must have certain analytical tools. The Foundation itself and third parties – funding agencies, auditors, evaluators - all undertake financial analysis.

The type of analysis varies according to the specific interests of the party involved.

8.2.1 Common-size Statements and Horizontal Analysis Reports

8.2.1.1 Vertical Analysis

The most common tool for this type of analysis is the Common-Size Statement, which reflects the items in a financial statement as percentage of *Base*. In NGOs, a base can be the Total Income, Total Grant, or Total Expenses. A common-size statement can also be presented using various Bases, i.e., one column for each determined Base.

Vertical analysis uses percentage to show relationship of the different parts to the total in a single statement. It sets a total figure in the statement equal to 100% and computes the percentage of each component of that figure. This figure would be total assets or total liabilities and fund balance in the case of statement of financial position). The resulting statement of percentages is called a common-size statement.

This tool is useful for comparing the importance of certain components in the operations of the Foundation.

It is also useful for pointing out important changes in the components from one year to the next when comparative common size statements are presented.

Illustrative Sample

Assets		2010	2009
Current Assets		49.8%	53.6%
Fixed Assets		47.6%	44.0%
Other Assets		2.6%	2.4%

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8.2.1.2 Horizontal Analysis

GAAP requires presentation of comparative financial statements that give current year's and past year's financial information. A common starting point for studying such statements is horizontal analysis which involves the computation of peso amount changes and percentage changes from year to year. The % change must be figures to show how the size of the change relates to the size of the amounts involved.

There are various types of analyzing financial statements horizontally. Some of these are the following:

(a) Variance Analysis Reports - This report shows the difference between the actual transactions and the budget as well as the reasons of the difference.

$\% \text{ Change} = 100 (\text{amount of change} / \text{base year amount})$

Where the base year in any set of data is always the first year being studied

(b) Comparative Reports - The main purpose of comparing two figures is to show relationships such as proportion, increase/decrease, or combination of comparative analyses. Examples of comparative reports are the following:

1. This Period and Cumulative Actual Income and/or Expenses
2. This Period 19x2 and Same Period 19x1
3. Total Budget and This Period Actual Expenses

Other comparative reports may be utilized depending on the desired comparison the analyst wants to derive. As a general guideline, the reports are presented in figures and percentages.

(c) Trend Reports – A variation of horizontal analysis, in which percentage changes are calculated for several successive years instead of between two years. It is important because, with the long-run view. It may point to basic changes in the nature of operations. Organizations give out a summary of operations and data on other indicators for five or more years.

Trend analysis uses an index number to show changes in related items over a period of time for index numbers, one year, the base year is equal to 100%

Illustrative Sample

$\text{Index} = 100 (\text{index year amount} / \text{base year amount})$

	2009	2008	2007	2006	2005
Revenues	10,500	10,200	9,500	9,000	8,000
Revenues in %	131%	127%	118%	112%	100%

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8.3 Measurement for Key Financial Ratios

Analysis and interpretation of various ratios should give a better understanding of the financial condition and performance of the organization than they would obtain from analysis of the financial data alone.

Financial ratios can be a very useful means of monitoring financial and institutional development. In particular, ratios can help detect potential problems before they become too serious. They are guides or short cuts that are useful in evaluating the financial position and operations of the organization and in comparing them to previous years or to other Foundation

8.3.1 Commonly Used Ratio

Ratio analysis is applied to evaluate liquidity, profitability, long-term solvency and market strength

8.3.1.1 Evaluating Liquidity

Current Ratio is the relationship of current assets and current liabilities; broad indicator of organization's liquidity and short term paying ability.

$$(Current\ Ratio = Current\ Assets / Current\ Liabilities)$$

Quick Ratio measures short-term liquidity; used the more liquid assets (less inventory)

$$(Quick\ Ratio = Current\ Assets - less\ inventory\ \&\ prepaid\ expenses / Current\ Liabilities)$$

8.3.1.2 Evaluating Profitability

Profit Margin ratio measures % percentage of each revenue peso that results in net income

$$(Profit\ Margin = Net\ Income / Sales)$$

Asset Turnover is a measure of how efficiently assets are used to produce the sales

$$(Asset\ turnover = Revenue / Ave\ Assets)$$

Return on Equity

$$(Return\ on\ Equity = Net\ Income / Equity)$$

8.3.1.3 Evaluating Long Term Solvency

Evaluation of Long term solvency aim is to point out that an organization is on the road to bankruptcy. Long term solvency has to do with ability to survive over many years.

$$(Debt\ to\ Equity\ Ratio: Total\ Liabilities / Total\ Equity)$$

8.3.1.4 Evaluating Market Strength

Market test Ratios: This analysis is done through the price/earnings ratio, the dividend yield and market risk

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8.3.1.5 Other Ratios

Examples:

(a) **Liquidity Ratio** = The relationship between available cash for operation and the average monthly expenditures.

(b) **Salaries Ratio** = The proportion of salaries to the budget.

(c) **Administrative Ratio** = The proportion of administrative costs (core budget) to the total budget (including all programs).

Under the Corporation Code, administrative costs should not exceed 30% of total costs.

(d) **Fixed Costs Ratio** = The proportion of your fixed costs to the total budget.

The fixed costs are those that you have to incur even if you do not run any program.

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IX. AUDITING

9.1. Internal Audit

This is an ongoing audit conducted by the Foundation's employee to (1) monitor operating results, (2) verify financial records, (3) evaluate internal controls, (4) assist with increasing efficiency and effectiveness of operations and, (5) to detect fraud.

Internal audit can identify control problems, and aims at correcting lapses before they are discovered during an external audit. Internal auditors are the firm's employees, they normally do not audit themselves or their own departments, but entrust it usually to independent auditors.

This type of review provides the board with assurance that the assets of the Foundation are being managed properly and that the financial records and supporting documents are accurate and complete.

9.2. External Audit

This is an Audit conducted by external (independent) qualified accountant(s). Its objective is to determine, among other things, whether (1) the accounting records are accurate and complete, (2) prepared in accordance with the provisions of GAAP, and (3) the statements prepared from the accounts present fairly the organization's financial position, and the results of its financial operations

As required by law, ANSA –EAP Foundation, Inc. shall have its financial statements audited annually. Auditing contract shall be entered into with a reputable external audit firm / person for the conduct and issuance of the annual audited Financial Statement of the Foundation for the calendar year ending December 31. The external auditors have the responsibility to provide an independent assessment and to express an opinion whether the network's financial statements are presented accurately, fairly and in conformity with Generally Accepted Accounting Principles and whether it complies with existing policies.

A separate Audited Financial Statements shall be issued in accordance with the requirements set by the funding agency.

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X. FUND MANAGEMENT

10.1 Basic Features

Proper cash management means ensuring the right amount of cash at the right place at the right time.

Ideally, fund balance allocated to each program is sufficient and not excessive. On a daily basis it is necessary to monitor the amount of money on each bank account based on the forecast of cash flow

Finally, proper cash management is related to proper budgeting, which can be seen as a long-term cash management; short term cash management will be eased by the proper mid and long term definition of expenses and sourcing of funds.

10.2 Fund Management Objectives and Policies

The fund management objective is to ensure judicious use of the Foundation's financial resources. The Foundation manages the fund to attain maximum yield at minimum risk involved.

The Foundation's goal in fund management is to keep the funds in the most secured account; limiting disbursements within available funds and limiting operating costs within funds budget.

The Foundation has complied with its undertaking limiting its expenditures within funds available and limiting operating costs within budget available.

The Foundation manages liquidity concerns by

- Ensuring that adequate funding is available at all times;
- Meeting commitments as they arise without incurring unnecessary costs;
- Being able to access funding when needed at the least possible cost; and
- Maintaining an adequate time spread of financing maturities.

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XI. FINANCIAL MANAGEMENT REPORTING SYSTEM

11. 1 Basic features

The financial reporting plan intends to provide personnel with adequate understanding of the information needs of management.

The plan ensures the timely delivery of accurate and reliable monetary information about the amounts of resources, financial means and the results achieved from the operations to the appropriate parties.

It ensures that the financial reports present an accurate picture of the current standing of the Foundation and its operations. The financial reports serve as the bases for planning and effective management decision making.

The reporting plan covers the following:

- Reports to be prepared
- Sources of data of the reports
- Frequency of submission of the reports
- Persons responsible for the report preparation
- Deadline for report submission
- Users of the report

11.2 Brief description of Reports to be prepared

1/ Statement of Assets, Liabilities and Fund Balance

This is a financial report which shows the balances of assets, liabilities and fund balances as of a given date. The report is useful in evaluation the resources available for the Foundation, its liquidity, solvency and stability

2/ Statement of Income, Expenses and Changes in Fund Balance

This is a financial report which presents the results of Foundation's operations. It provide a means for measuring and evaluating the actual performance

3/ Budget Status Report

Budget Status report is a report that shows the annual approved expenditure's budget, actual expenses to date and budget free balance as of a given date. It provides the basis of control for the current operations.

The Budget Status Report is a tool to determine budget performances and / or availability. The review of budget against actual expenditures shall be conducted in order to determine financial goals and objectives of the Organization are being achieved effectively and efficient

4/ Cash Position Report

The Cash Position Report provides information to management as to the movement of the operating fund. This information is useful for monitoring collections and its subsequent deposit and the magnitude of expenditures made. It provides a means of effectively managing cash and maximizing the income of the Foundation.

5/ Bank Reconciliation Statements

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The Bank Reconciliation Statement is a monthly report which reconciles the cash balances of the Foundation's books with the balance reflected in the bank statement or passbook. The report is useful in the accounting of the propriety of the cash in bank balance.

6/ Project Financial Report

The Project Financial Report presents the statements of receipts and expenditures per project. This will be an Interim Statement of Receipts and Expenditures which is being prepared as progress report for submission based on the requirement of the donor and/ a monitoring tool for the project and the Final Statement of Receipts and Expenditures for submission upon completion of the project.

11.3 Sources of Data for the Report

1/ Statement of Assets, Liabilities and Fund Balance (monthly)

- Trial Balance
- Budget Status Report
- Approved Budget

2/ Statement of Receipts, Expenses and Changes in Fund Balance (monthly)

- Trial Balance
- Budget Status Report
- Approved Budget

3/ Budget Status Report (Quarterly)

- General Ledger
- Approved Budget

4/ Cash Position Report (Weekly)

- Weekly Collections Summary and Deposits
- Weekly Disbursements Summary and Total Checks Released for the day
- Bank Debit and Credit Memos

5/ Bank Reconciliation Statements (monthly)

- General Ledger of the bank accounts
- Passbook and bank statement
- Bank Debit and credit Memos
- Cancelled Checks from the bank

6/ Project Financial Reports (interim and end of project)

Interim Statement of Receipts and Expenditures/ Final Statement of Receipts and Expenditures

- General Ledger
- Project Approved Budget

11.4 Financial Statements

11.4.1 Types of Financial Statements

11.4.1.1 General-Purpose Statements (Basic Reports)

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- 1) The Balance Sheet or Statement of Financial Position - statement showing the financial position of the organization as at a given time. It shows the organization's assets, liabilities and fund balances on a stated date.
- 2) The Statement of Revenues and Expenses or The Statement of Activities – statement showing the summary of financial transactions for a given period. It shows the financial history of the organization for each period: month, quarter, year, etc. Many of the transactions that occur during the period result in the changes in fund Balances. These changes will eventually show up as increases or decreases in the fund balances
- 3) The Statement of Cash Flows - statement showing the sources of all cash receipts and the application of all cash disbursements for a given period and thereby arriving at the balance of cash account at the end of the period. It is necessary to show also the components of the cash accounts: cash on hand, cash in bank, etc.

11.4.1.2 Specific-Purpose Statements (These are reports specifically required by Donors, Board/Governing body, Managers)

1) Organizational Financial Report

The organizational Financial Reports for the Foundation shall be prepared quarterly (for the board of trustees) and annually (for external auditing).

The Accountant shall print the Trial Balance from SURE!GL, prepare and forward the following financial reports to the Finance Officer:

Statement of Receipts, Expenses and Changes in Fund Balance
Statement of Assets, Liabilities and Fund Balance
Supporting Schedules

The Finance Officer shall review the Financial Reports and prepare the Notes and Schedules to Financial Reports (NSFR) to be forwarded to Executive Director for final review and approval; the Executive Director shall return the NSFR to the Finance Officer if there are any comments for revision.

2) Project Financial Report

The Financial Reports for the Project shall be prepared every month and consolidated at the end of the year.

The Accountant shall print the Trial Balance from SURE!GL and prepare the Statement of Cash Receipts & Disbursements (SCRD) then forward to the Executive Director for review and approval.

Every year end, the Accountant shall prepare a consolidated SCRCD, to be processed in the same manner as the monthly SCRCD.

11.5 Fund Accounting

Fund accounting is defined as a system of recording resources whose use may be limited by donors, granting agencies, governing boards, management, or by law.

Fund accounting keeps the books and records in a way that gave recognition to the restrictions set by the donors. Thus, ANSA EAP should keep a series of separate funds for a variety of specific purposes.

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Fund Accounting is also the expression of “matching of sources against intentions” (a fundamental concept in accounting)

Under fund accounting, the need to prepare financial statements to measure financial efficiency and effectiveness as follows:

- Per Funding Agency/ Donor
- Per Program Component
- Per Dept/ Unit
- Per Activity
- Per Area of Operation ANSA-EAP operated

11. 6 Internal Controls Features

- To ensure timely preparation of financial statements, organizational Financial Reports shall be prepared monthly/ quarterly (for the board of trustees) and annually (for external auditing) while Financial Reports for Project Fund shall be prepared every month and/or as required b donor and to be consolidated at the end of the year.
- To ensure accurate preparation of Financial Reports, the Finance Officer shall review the Financial Reports and prepare the Notes and Schedules to Financial Reports (NSFR) to be forwarded to the Executive Director for final review and approval.
- To ensure accurate preparation of the Statement of Cash Receipts and Disbursements, it shall be reviewed by the Finance Officer for monthly and yearly Statements of Cash Receipts and Disbursements and for yearly Statements of Cash Receipts and Disbursements.

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XII. STATUTORY REQUIREMENTS AND COMPLIANCE

Compliance to all government statutory requirements shall be properly monitored to avoid payment of penalty and avoid exposing the Foundation from any legal impediment.

National

12.1 BIR Statutory requirements follow:

Monthly.

- Monthly Remittance of Withholding taxes on Compensation on or before the 10th day following end of each month.
- Monthly remittance of Expanded Withholding Tax on or before the 10th day following end of each month.

Quarterly

- Issuance of the quarterly Expanded withholding tax

Annually

- Stamping of books of accounts on or before December 31 annually
- Payment of the annual registration fee on or before January 31 of every year.
- Submission of the Annual remittance to BIR on January 31.
- Annual Withholding taxes on Compensation Remitted together with the Alphabetical List of Employees with the corresponding tax computation on or before January 31.
- Issuance of Withholding tax certificate to all employees annually on or before April 15 annually
- Annual Return of Creditable Income Taxes Withheld (Expanded) on or before March 1 of the following year.

Note: If the Foundation is PCNC certified, the following should be submitted to BIR on or before the 15th day of the 4th month after the close of the taxable year.

1. *List of the donations and income received during the year, showing the name, address of the donors; the sources of income; the amount or market value of each donation and items of income and the disposition thereof;*
2. *List of the activities and/or projects undertaken by the Foundation and the cost of each undertaking in particular where and how the donation has been utilized;*
3. *List of projects, their corresponding costs the amount "set aside" and the status of fund balances at the end of the year;*
4. *A declaration that he utilization requirements have been sufficiently complied with;*
5. *A declaration that no part of the net income of the Foundation inures to the benefits of any private individual; and*
6. *A declaration of the status of project implementation.*

12.2 SEC Statutory Requirements

1. **Audited FS (AFS)** - filing of AFS depends on the last digit of the registration number of the Foundation each year.

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The FS shall be audited if the annual gross receipts is P100, 000 or more, or the total assets is P500, 000 or more.

The FS shall be certified under oath by the Treasurer of the Foundation if the annual gross receipts is less than P100, 000, or the total assets is less than P500, 000.

The AFS shall be stamped received by the Bureau of Internal Revenue.

The FS of the corporations with annual gross revenues of at least P500,000 shall also be submitted in electronic format (i.e. on diskette or compact disks) within 30 days from the last day of submission of the FS

- 2. General Information Sheet (GIS)** - Within 30 days from the date of the actual annual member's meeting. If unable to hold membership meeting for the calendar year, not later than January 30 of the next calendar year.

All changes arising between annual meetings and those affecting the information stated in the GIS shall be reflected in an amended GIS labeled as such and the changes clearly highlighted; the amended GIS shall be submitted within 30 days after the occurrence or affectivity of such change.

- 3. Membership Books** - Within 30 days from the date of issuance of the certificate of incorporation
- 4. Affidavit of Non-Operation** – within 120 calendar days after the end of the fiscal year as specified in the by-laws.

12.3 Social Security System

Monthly Remittance – depends on the 10th digit of the 13 digit SS# of the Foundation. If the 10th as follows:

- 10th digit ends 1-2 – on or before the 10th of the following month
- 10th digit ends 3-4 – on or before the 15th of the following month
- 10th digit ends 5-6 – on or before the 20th of the following month
- 10th digit ends 7-8 – on or before the 25th of the following month
- 10th digit ends 9-10 – on or before the 30th of the following month

Contribution collection list by employers under manual filing systems for the quarter - On or before the 10th day of the month

Submission of the Quarterly remittance form to SSS

12.4 Philhealth

Monthly Remittance/ Contribution Collection List - On or before the 10th day of the month following applicable month

12.5 Pag-ibig/ HDMF Requirements

Monthly Remittance/ Contribution Collection List – depends on the first letter of the Foundation as follows:

- Week 1 –
- Week 2 –
- Week 3 –
- Week 4 --

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Monthly Report - On or before the 10th day of the month

6/ Local Government Unit

Mayor's Permit (including barangay clearance, residence certificate, Insurance, Fire Certificate and Sanitary permits) - On or before 20th of January every year after the initial registration

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XIII. RETENTION

13.1 Period of Retention

The BIR requires that the Financial records of the organization must be kept for **five (5) years**. This will apply both to physical written records (ledgers, cheques, receipts, etc.) and to electronic records.

However, donor requirements need to be considered on the retention of documents.

13.2 Filing System

Documents shall be filed in the appropriate file folder (different file folder for different documents.), arranged from the earliest at the bottom to the most recent at the top. The file folders are sorted according to month.

One file folder each for cash receipt vouchers, check vouchers and journal vouchers. Each folder may contain the documents for one month only or several months depending on the volume of transactions per month.

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XIV. TAX

14.1 Tax Exemption

ANSA-EAP Foundation, Inc. is a non-stock, non-profit entity and qualifying under the “exempt corporations’ mentioned in the National Internal Revenue Code of the Philippines.

Being a non-stock, non-profit organization operating exclusively for social purposes that no part of its income which the organization may obtain as an incident to its operations inures to the benefit of any private individual and that its income from operations are actually, directly and exclusively used for social purposes, it is exempted from the payment of income tax on income received by it donations, grants or other forms of philanthropy. However, it is subject to the corresponding internal revenue taxes imposed under the National Internal Revenue Code on its income derived from any of its properties, real or personal or any activity conducted for profit regardless of the disposition thereof, which income should be returned for taxation.

The Foundation has to apply for tax exemption with the BIR so that a certificate of exemptions or a BIR ruling exempting the Foundation for donations received as taxable. will be issued by the BIR.

The Foundation is required to file an income tax return for corporation (BIR 1702) quarterly and annually.

See Exhibit I – Application for Tax Exemption list of requirements

14.2 Tax Implications for Non Stock Non Profit Organizations

- Income Tax - Exempt
- VAT - Exempt, unless engaged in commercial activities
- Donor’s Tax - Exempt, provided that the use of income and revenue for administrative purposes shall not exceed 30% of the total income/revenue.
Deductibility of donation as expenses shall only be availed once PCNC Accreditation is secured.
- Tax on certain income:
 - a) 20% final withholding tax on interest income from deposit substitute instruments, trust funds, and similar arrangements, and royalties derived from sources within the Philippines.
 - b) 7 1/2 % final withholding tax on expanded foreign currency deposit system
 - c) Expanded withholding tax
 - d) Withholding tax on Compensation
- The non stock, non profit entities are still liable to pay the corresponding taxes for activities that are subject to other taxes other than income tax (VAT, CGT and DST).
- Issuance of registered receipts/sales invoices for sale or transfer of merchandise or for services rendered which are not directly related to the activities for which they are registered.

14.3 Allowable Deductible Expenses

Requisites for deductibility of business expenses by corporations follows:

- a) The expenses must be ordinary and necessary;
- b) It must be paid or incurred during the taxable year;
- c) It must be paid or incurred in carrying on any trade or business;

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- d) It must be substantiated by adequate proof; and
- e) It must not be against law, morals, public policy or public order

When expense is ordinary and necessary

An expense is considered *ordinary* when it is commonly incurred in the trade or business of the taxpayer as distinguished from capital expenditures

An expense is considered *necessary* if it is appropriate and helpful to the taxpayer's business.
Supported by proof

It is required that the claimed deduction be supported by sufficient evidence such as official receipts or other adequate records, otherwise the same will be disallowed. Accordingly, the mere allegation of the taxpayer that an item of expense is ordinary and necessary does not justify its deduction. The evidence must establish

- (1) the amount of the expense being deducted, and
- (2) the direct connection or relation of the expense being deducted to the development, management, operation and/or conduct of the trade, business or profession of the taxpayer.

Limits of allowable expenses

Entertainment/ Recreations and Amusement

1% of net revenue

Interest expenses

Interest income, net of Final withholding tax

Divided by final Withholding Tax Rate (20% / 7.5% / 5% / 12%)

Gross Interest Income

Multiply by 42% or 33%

Reduction of Interest Expense

Charitable Contribution

Individual - not exceeding 10% of taxable income from trade/business or profession before considering the donation

Corporation – not exceeding 5% of taxable income

14.4 New Income Tax Return Form (Revenue Memorandum Circular No. 40-2011)

- Prescribes that in income tax filing covering and starting with calendar year 2011, which are due for filing on or before April 15, 2012, the revised June 2011 version are to be used;
- All juridical entities following fiscal year of reporting are likewise required to use the new BIR Form 1702 starting with those covered by fiscal year ending January 31, 2012.

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XV. EXHIBITS

Exhibit	Title	
A	Chart of Accounts	
B	SURE GL Manual	
B-1	SURE GL Capabilities	
C	Financial Reporting Matrix	
D	Statutory Requirements	
E	Signing Authority	
F	Reports	
G	Fiscal Calendar	
H	Application for Authority to Use Computerized Books	
I	Application for Tax Exemption	
J	Forms	

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