

ACCOUNTING POLICIES AND PROCEDURES MANUAL

BACKGROUND INFORMATION

Purpose

This manual was prepared to document the internal accounting policies and procedures for National Confederation of Cooperatives Mutual Benefit Association, Inc. (NATCCO MBAI). Its purpose is to ensure that assets are safeguarded, finances are managed with responsible stewardship and financial statements are in conformity with Philippine Financial Reporting Standards (PFRSs) taking into consideration insurance laws, principles and practices in the Philippines.

All personnel with a role in the management of NATCCO MBAI's financial operations are expected to uphold the policies in this manual. It is the intention of NATCCO MBAI that this accounting manual serves as our commitment to proper, accurate financial management and reporting.

Tax Status

NATCCO MBAI was organized under the laws of the Philippines and duly registered with the Securities and Exchange Commission on April 2009. The Insurance Commission authorized NATCCO MBAI to operate as a Mutual Benefit Association with License No. 2010-24-R on September 2010.

Its members are active members of any cooperative affiliated with the National Confederation of Cooperatives (NATCCO).

Interest earnings on deposits of members with the Association, as well as the shares of its members from the net income of the Association shall be exempt from income tax. (BIR Ruling No. 347-98 dated July 28, 1998)

Service Area

The Association has objectives to extend financial assistance to its members, spouse, and children in the form of benefits, sickness benefits, provident savings and loan redemption assistance; to ensure continued access to benefits or resources by actively involving the members in the management of the association that will include implementation of policies and procedures geared towards sustainability and improved services; to do and perform any other acts and things and to have and exercise any other power and functions as may be necessary, convenient, legal and appropriate to accomplish the purpose for which the mutual benefits association is established or organized.

DIVISION OF DUTIES

The following is a list of personnel who have responsibilities within NATCCO Mutual Benefit Association, Inc. (MBAI) accounting procedures:

Manager

1. Reviews and approves all financial reports.
2. Reviews the annual budget and recommends to the Board of Trustees for approval.
3. Reviews all vouchers and requests for those checks which require his/her signature.
4. Approves all statement of accounts billed to clients.
5. Authorizes all inter-fund transfers.
6. Reviews all bank reconciliations.
7. Reviews and recommends all claims' payment request for approval.
8. Approves all requests for cash advances/reimbursements.
9. Reviews and approves list of checks to be disbursed and released.

Accountant

1. Prepares all financial reports.
2. Reconciles the bank accounts.
3. Develops the annual budget with inputs from the GM and Board of Trustees.
4. Maintains and reconciles books of accounts.
5. Reviews all vouchers and requests which require his/her recommendation.
6. Submits requests for inter-fund transfers.
7. Reviews and verifies all receipts/documents for submitted liquidations.
8. Monitors all unliquidated advances, pending payables and unreleased checks.
9. Receives unopened bank statements.

Bookkeeper

1. Prepare request for payment with complete attachments.
2. Prepares checks and payment vouchers.
3. Prepares statement of accounts billed to clients.
4. Processes all cash advances, liquidations and reimbursements.
5. Prepares all necessary journal entries.
6. Issues Official Receipts for collections.

Administrative Assistant

1. Manages the petty cash fund.
2. Prepares canvass sheet and purchase orders.
3. Keeps cash advances forms.
4. Mails/deposits checks for payments.

Claims Associate

1. Reviews claims validity before requesting for payment.
2. Prepares request for claims' payment and forwarded the same to the manager
3. Maintains members file including contributions update and issuance of member's certificate.

Bank Checks Signatories (Currently the Chairperson, the Treasurer, Board of Trustees and Manager)

1. Checks signing authority on all NATCCO MBAI accounts (The Treasurer is the first priority to sign all the checks.)
2. Are all accountable for approval of Association's budget in capital investment decisions and for approval of disbursements upon request.

3. GM reviews all vouchers and requests before submission to signatories. .

ACCOUNTING PRINCIPLES APPLIED

The accounting principles of National Confederation of Cooperatives Mutual Benefit Association, Inc. (NATCCO MBAI) will be consistent with all applicable laws. These include: Philippine Accounting Standards (PASs) and Philippine Financial Reporting Standards (PFRSs) taking into consideration insurance laws, principles and practices in the Philippines. The significant accounting policies are consistently applied unless otherwise stated.

Matching of Revenues and Expenses

Income is recognized to the extent that it is probable that the economic benefits will flow to the Association and the revenue can be reliably measured.

Cost and expenses are recognized in the statements of comprehensive income upon utilization of the assets or services or at the date they are incurred. The organization records transactions on the accrual basis of accounting. The following specific recognition criteria must also be met before income is recognized:

- a. Premiums – Income from insurance premiums are recognized when it is received or becomes receivable.
- b. Interest income– Interest income on bank deposits and financial assets at fair value are recognized using the accrual method.
- c. Miscellaneous revenue – Miscellaneous revenue such as members’ contributions, surcharges and penalties are recognized when received.

Depreciation of Property and Equipment

Association property and equipment are carried at acquisition cost less accumulated depreciation and amortization and impairment in value. The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use.

Expenditures for additions, major improvements and renewals are capitalized; expenditures for repairs and maintenance are charged to expense as incurred. When assets are sold, retired or otherwise disposed of, their cost and related accumulated depreciation and amortization and impairment losses are removed from the accounts and any resulting gain or loss is reflected in income for the period. Depreciation is computed on the straight-line method over the estimated useful lives of the depreciable assets as follows:

<u>Estimated Useful Life</u>	
Furniture and Fixtures	5 years
Office Equipments	3 years
Transportation Equipment	5 years
Machinery Tools and Equipment	5 years
Computer Software	5 years

IT Equipment

IT equipment is also subject for depreciation, cost of the information processing systems over its useful life for at least five (5) years from time of acquisition. This includes computer hardware, customized software, and peripherals.

Leasehold Improvements

Leasehold rights and improvements are amortized over the terms of the leases or the estimated useful lives of the improvements, whichever is shorter. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The residual values and estimated useful lives of Association property and equipment are reviewed, and adjusted if appropriate, at the end of each reporting period.

An item of Association property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Gain or Loss on Disposal of Assets

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statements of comprehensive income in the period the item is derecognized.

ACCOUNTING POLICIES AND PROCEDURES

CASH/CHECK DISBURSEMENTS

Policies

All checks shall be signed by two signatories. There are two sets of bank signatories: The Treasurer is the first priority to sign all the checks followed by any one from Group A. Group A composed of the President, the Board Chairman and the Board Treasurer; and Group B composed of the designated Board Trustee. Any two from Group A or any one from Groups A and B shall be allowed to sign checks.

The signatories of a check must review the payment voucher and put their initials on it only if they are not the one who approved the said voucher. The signatories shall not sign a check or approve a payment voucher payable to them. All disbursements above PhP5,000.00 shall be paid in check.

Purchases

Procedures

1. Purchase requisitions will be generated by the Administrative Assistant and will be supported by three (3) canvass sheets from different suppliers.
2. The requisitions are submitted to the Manager for approval and given to the Administrative Assistant for order placement. In cases where purchases are in excess of the certain limit, the President's approval is required.
3. The approved purchase requisitions filed in the open order file.
4. When the goods or services are received, the Administrative Assistant pulls the purchase requisition and compares the order received to the delivery/order slip and the purchase requisition for accuracy.
5. The delivery slip is attached to the purchase requisition and the invoice received.
6. All invoices are routed to the Accountant, who matches the invoice to the approved purchase requisition and the delivery slip and determines an account coding for the transaction.
7. The Accountant gives the invoice and support documentation to the Manager for approval to pay.
8. The Manager initials the invoice indicating approval to pay, and approving the expense account coding proposed by the Accountant.
9. The Accountant enters the approved invoice into the A/P computer module and files all documents in the open invoice file until they are paid.

Cash advances

Eligibility and application

1. Cash advance forms are available from the Administrative Assistant.
2. Advances to employees are allowed but must be approved by the Manager /above.
3. The cash advance applicant must complete the Cash Advance form and submit it to the Administrative Assistant. The Administrative Assistant will forward it to the Accountant who will ensure that all mandatory fields are completed correctly and then obtain approval from the Manager or the President.
4. Cash advance amount should be at a reasonable estimated amount of what will be spent on the travel, activity, purchase, etc.
5. Cash advances amounting to or less than PhP5,000.00 should be made in cash. However, if the amount is above PhP5,000.00, a check request should be provided payable to the employee who will receive the cash advance.
6. Employees should apply for a Cash Advance at least 2 days before the date of the activity to ensure smooth processing.

Approval

1. A completed Cash Advance form is to be submitted to the Manager for approval.
2. The authorizing officer must not be the same as the person receiving the cash advance.
3. An application for cash advance can be rejected for the following reasons:
 - a. The internal policy excludes cash advance as a payment method.
 - b. Previous cash advance has not yet been cleared or liquidated.
 - c. Cash advance recipient regularly fails to provide supporting documentations (e.g. receipts, invoices, business travel details, etc.) for liquidation purposes.

Liquidation

1. Cash advance recipient is to submit a completed Cash Advance/Reimbursement form together with original supporting documentation (such as receipts, invoices or business travel details) one(1) day after the last day of activity to the Bookkeeper for liquidation purposes.
2. Details are required to be completed in all overseas and domestic travel which is longer than 3 consecutive nights.
3. The Accountant will ensure that the required documentations, forms and accounting details are submitted. Any excess amounts should be returned to Bookkeeper.
4. When cash advance is being issued, the amount advanced will be charged to employee until liquidation process is completed.
5. The Accountant must take steps to check that cash advance is liquidated within the maximum of two (2) days depending on activity status/occurrence.
6. Manager is to ensure that all cash advances are liquidated prior to an employee's termination of employment with MBAI.
7. No new cash advances will be issued to an employee with unliquidated cash advance.

Excess Expenditures

1. A recipient of a cash advance who wishes to be reimbursed for excess expenditures should provide the following documents for management's approval.
 - a) Receipts for excess expenditures.
 - b) A written explanation of why the expenditure was necessary.
 - c) Reimbursement Form -- This request will require approval by the Manager.

Review and Reconciliation

Unauthorized use of cash advance includes:

- a. Personal or non-business expenditures of any kind
- b. Expenditures which have not been properly authorized.
- c. Meals, entertainment, gifts or other expenditures which are prohibited by NATCCO MBAI's budget and/or policies

Capital Assets-- Acquisitions

1. Acquisitions of capital assets must be covered by the approved budget on capital expenditures. Any capital assets not budgeted by the Board must be approved by the Board prior to purchase.
2. The management recommendation is needed before acquisition of any capital asset.
3. If the asset acquisition will exceed the budget allocated, a review will be conducted and it must be supported with comparative canvass report.

Claims

1. Claim Associate will validate the claims by securing proper and complete documentation upon request of dependents.
2. Upon validation of claims, request for payment will be processed and then approved by the manager.

3. Check request will then be processed and approved, release of checks are strictly within two(2) working days or less upon request forwarded by Claims Associate (or the next business day if the date falls on weekend or holiday).

Actuarial Services

NATCCO MBAI is engaged with the services of an actuary duly accredited with the Insurance Commissioner. The actuary is responsible for the direction and supervision of all actuarial work connected with or may be involved in NATCCO MBAI operations. (*Sec. 335 Insurance Code of the Philippines*)

The following documents, which are from time to time submitted to the Insurance Commissioner, by NATCCO MBAI, shall be duly certified by the actuary: (*Sec. 337 Insurance Code of the Philippines*).

1. Policy reserves and net due and deferred premiums.
2. Statements of bases and net premiums, loading for gross premiums, and on non-forfeiture values and reserves, when applying for approval of gross premiums, reserves and non-forfeiture values.
3. Policies of insurance under any plan submitted to the Commissioner as required by law.
4. Annual statements and valuation reports submitted to the Commissioner as required by law.
5. Financial projection showing the probable income and outgo and reserve requirements, enumerating the actuarial assumptions and bases of projections.
6. Valuation of annuity funds or retirement plans.

Contracts

Reinsurance contract will be recommended by the Manager based from the quotations of the three (3) insurance providers. This will be subjected for approval by the Board of Trustees. All other contracts to exceed budget over the course of the year should be approved by the Board.

Other Payables

1. The Bookkeeper is responsible for the preparation of all disbursements.
2. Cash disbursements should be signed and approved by authorized individuals.
3. All disbursements above PhP5,000.00 are to be paid by check except for cases where cash is provided due to nature or urgency of payment, duly approved by the Manager.
4. A check request voucher should then be completed by the Bookkeeper and attached to the original request for payment, and/or any other supporting documentation.
5. The voucher should include the bank account codes to which the payment will be applied.
6. The Accountant should review the payment voucher and its supporting documents if the balances reconciles with the check amount.

7. Approval for all disbursements by the Manager must be indicated on the check request voucher. In cases where the Manager is on leave, the Accountant will seek approval of the Manager for all vouchers.
8. The checks should be attached to the voucher and other supporting documentation, being paid and submitted for signatures of the authorized signatories.
9. While the signatories sign each check, he/she should double check the payment voucher. This approval is to ensure that they have authorized the disbursement being requested.
10. In the event that the Bookkeeper who manages the disbursement is out, the Manager will assign an employee other than the Accountant to carry them out.
11. All checks will be mailed or released as soon as this process is completed.
12. Supporting documentation stamped "paid/cancelled" should be filed by the Bookkeeper in appropriate folders.
13. The Accountant will utilize the paid request for payment files to respond to any discrepancies which arise with clients/vendors or other payees.
14. Every month the Manager will check the disbursement log to determine if there are any outstanding payables which have not yet been processed. If so, the Manager will investigate the nonpayment of these payables with the Bookkeeper.

CASH/CHECK RECEIPTS

Policies

The Bookkeeper receives all incoming mails. All checks received by the Bookkeeper should be recorded on a cash receipts log and requires issuance of Official Receipt. All checks received should be deposited in NATCCO MBAI savings account.

The Bookkeeper will restrictively deposit all checks on a daily basis. The validated deposit slip should be attached to the receipt issued and filed. If the Bookkeeper is unavailable to perform these duties, the Manager will assign an employee other than the Accountant to carry them out.

Deposits not forwarded or mailed to the bank should be locked in petty cash custodian's lock box. No deposit should be locked in the file cabinet for more than 24 hours. If the checks are deposited to the bank, the Bookkeeper should indicate the date these checks were received and deposited on the cash receipts log.

Turnaround Time in check deposits:

1. All checks that are claim benefits payment should be deposited the following banking days. (with 24 hours)
2. Checks payable to NATCCO MBAI should be deposited within:

Total Check Amount	TAT
<PhP5,000	5 banking days
>5,000 – 15,000	3 banking days
>15,000	1 banking day

Total Cash Amount	TAT
< PhP5,000	2 banking days
>5,000	1 banking day

Procedures

1. All checks are restrictively endorsed, photocopied and entered in the daily cash receipts log. The Bookkeeper will sign the cash receipts log verifying its accuracy. A photocopy of these checks and a copy of the pre-numbered receipt will be attached to the daily cash receipts log.
2. The cash receipts log is totaled by the Bookkeeper. A copy of the log is given with the check copies to the Accountant.
3. The Manager will use the original of the cash receipts log for review and to assist in their duty of reviewing the bank statements.
4. The Accountant will use the copy of the cash receipts log and the check copies to determine account coding and to enter the cash receipts into the computer.

INTER-FUND TRANSFERS

Policies

In the absence of the Manager, and in dire emergencies, the Board Chairman should authorize fund transfers. The NATCCO MBAI operating bank account should not exceed PhP700,000.00 at any time. Transfer of funds is made from the savings account to the operating account for disbursements purposes.

The Accountant should monitor the balance in the operating checking account, and determine if there are adequate funds to pay the daily expenses.

The Bookkeeper should prepare a transfer memo for signature by the Manager to transfer the necessary amounts from the savings account to the checking account. These transfers will occur concurrently with the associated disbursements.

Procedures

1. Request for transfer of funds will be prepared by the Bookkeeper signed by the Accountant and approved by the Manager.
2. The request is then forwarded to the bank. The bank will make direct confirmation of the fund transfer thru telephone calls.
3. As soon as the funds are credited to the operating account, the credit memo sent by the bank should be kept on file.

BANK RECONCILIATION

Policies

NATCCO MBAI is to maintain a minimum of 30 percent of PhP700,000.00 of its operating bank accounts at all times. In the event that balances fall below that amount, the Manager and Treasurer should be notified immediately.

Procedures

1. Bank statements are to be received unopened by the Accountant.
2. After this cursory review is conducted, the Accountant should put his/her initial and the date on the bottom, right hand corner of the first page of each bank statement reviewed.
3. The reviewed bank statement should then be forwarded to the Accountant (an individual without check signing rights) to reconcile the bank accounts using the approved reconciliation form. The Accountant should review the contents for inconsistent check numbers, signatures, cash balances and payees and endorsements at a minimum.
4. The Accountant should reconcile each account promptly upon receipt of the bank statements. All accounts should be reconciled not later than 7 days after the receipt of the monthly bank statements.
5. When reconciling the bank accounts, the following items should be included in the procedures:
 - a. A comparison of dates and amounts of daily deposits as shown on the bank statements with the cash receipts journal.
 - b. A comparison of inter-organization bank transfers to be certain that both sides of the transactions have been recorded on the books.
 - c. An investigation of items rejected by the bank, i.e., returned checks or deposits.
 - d. A comparison of fund transfers dates received with dates sent.
 - e. A comparison of canceled checks with the disbursement journal as to check number, payee and amount.
 - f. An accounting for the sequence of checks both from month to month and within a month.
 - g. An examination of canceled checks for authorized signatures, irregular endorsements, and alterations.
 - h. A review and proper mutilation of void check.
 - i. Investigate and write off checks which have been outstanding for more than six months.
 - j. Completed bank reconciliations should be reviewed by the Manager and initialed and dated by the reviewer.
 - k. The Accountant, upon completion of bank reconciliations prepares any general ledger adjustments.
 - l. Copies of the completed bank reconciliations will be forwarded to the Manager for his/her review.

Reconciliations of Other General Ledger Accounts

Procedures

1. Each month the Manager and Accountant should review the ending balance shown on balance sheet accounts such as the cash accounts, accounts receivable, accounts payable and deferred revenue.
2. The Manager should review the bank reconciliations, schedules of accounts receivable and deferred revenue and accounts payable to support the balances shown on the balance sheet.
 1. Assets - These accounts will include cash on hand and cash in bank; petty cash fund; loans and accounts receivables; advances to officers and employees and due from officers and employees; IT Equipment, office furniture, fixtures and equipment; and investments.
 - a. Cash in Bank- The balances in cash accounts should agree with the balances shown on the bank reconciliations for each month.

- b. Petty Cash Fund - The balance in this account should always equal the maximum amount of all petty cash funds. The current amount equals PhP40,000.00.
 - c. Loans and Receivables – The balance of these accounts always equal the amount received from fixed or determinable payments deposited to savings account.
 - d. Advances to Officers and Employees – The amounts in these accounts should be equal to liquidated expenses plus cash returned.
 - e. Property and Equipment – The amounts in this account should equal the totals generated from the audited depreciation schedules. When additional purchases are made during the year, the balances in the accounts may be updated accordingly.
 - f. Investments – The amount of interest earned should equal the amount credited to savings bank at the end of every quarter.
2. Liabilities - These accounts are described as accounts payable, liability on individual equity value, optional benefit reserve, loans payable, and other accounts payables.
 - a. Accounts Payable - The balance in this account should equal amounts owed to vendors/clients at the end of the accounting period.
 - b. Liability on Individual Equity Value - The amount in this account should equal an equity value of at least 50% of the total membership dues collected from the members less claims paid.
 - c. Optional Benefit Reserve – The amount in this account should be adequate to cover future guaranteed benefits as they become payable under the provisions of the policies in force.
 - d. Other Accounts Payables - Any amounts owed to others at the end of the period.
3. Income/Expenses- These accounts are described as income from membership contributions and other expense line items such as salaries, professional fees, etc.
 - a. Premiums – The amounts in these accounts should equal 20% of the total membership dues collected from the members less claims paid.
 - b. Gross Salary Accounts - The balances in the gross salary accounts should be added together and reconciled with the amounts reported on quarterly payroll returns.
 - c. Technical and Professional Fees- The amounts charged should be reconciled to the contract of services.

PETTY CASH FUND

Policies

The petty cash fund established for small expenditures is amounting to PhP40,000.00. A single disbursement from petty cash shall never exceed PhP5,000.00.

The Administrative Assistant with permanent position will be the petty cash fund custodian. The fund must be safeguarded from fire and theft and stored in a locked safe, cabinet, or drawer.

The petty cash fund shall be operated on an imprest basis. Petty cash imprest system allows only replenishing the amount spent. In addition, it is a strict policy not to cash checks of any kind through the petty cash fund.

Procedures

1. When a petty cash payment is made, a corresponding pre-numbered petty cash voucher is provided, signed by the petty cash custodian and the recipient and approved by the Manager.
2. Upon consuming at least 75% of the petty cash fund, the petty cash summary report with all the corresponding petty cash vouchers and support documentations will be prepared by the petty cash custodian, checked by the Accountant and approved by the Manager so that a check request for replenishment can already be made.
3. All reimbursements made out of the petty cash should remain in the locked cash box if replenishment is not yet made. The petty cash box is to be locked at all times when the petty cash custodian is not disbursing or replenishing the fund. The cash box is to be kept in the locked file cabinets inside the office.
4. More often, the Manager should conduct a surprise cash count. He/she should count the petty cash on hand plus the total amount of petty cash vouchers with corresponding receipts and support documentations which should be equaled to PhP40,000.00. Any discrepancies should be discussed and resolved immediately.

PROPERTY AND EQUIPMENT MANAGEMENT

Policies

A permanent property log or database is to be maintained by the Manager for all property and equipment purchased by NATCCO MBAI. The log should contain the following information:

- a. date of purchase
- b. description of item purchased
- c. received by donation or purchased
- d. cost or fair market value on the date received
- e. donor or funding source, if applicable
- f. funding source restrictions on use or disposition
- g. identification/serial number (if appropriate)
- h. depreciation period
- i. vendor name and address
- j. warranty period
- k. inventory tag number (all fixed assets should be tagged with a unique identifying number)
- l. number of the NATCCO MBAI's check used to pay for the equipment

Procedures

1. At least annually, a physical inspection and inventory for property and equipment should be conducted. The property and equipment balances subject for inventory should be reconciled against their corresponding book values. Adjustments, if any should be made.
2. The Manager should be informed thru memo of any material adjustments in the book value of property and equipment. This should include scrapping of and/or obsolescence of furniture, equipment, etc.
3. All property and equipment which have an acquisition cost of more than PhP5,000.00 will be capitalized and subjected to depreciation.

INVESTMENTS

Policies

NATCCO MBAI may invest portion of its funds in any of the classes of investments or type of securities, provided that it would first meet pending claims and other obligations. *Sec. 398 Insurance Code of the Philippines*

The Board of Trustees must approve all investments.

Procedures

1. Certificates of deposit may also be used to invest excess cash. The Manager will initiate the transfer of funds or setting up new certificates of deposit based on the projected cash flow requirements and budgets of NATCCO MBAI. The Accountant will prepare the projected cash flow requirements as requested by the President.
2. The operating reserve fund and any cash designated by the Board will be maintained in a certificate of deposit. The Board will specify the investment method for the operating reserve and for each designated fund, so that the timeline of the investment will match the timeline of the reserve or designation.

DEBT

A Mutual Benefit Association subsists from the contributions of its members. As such, an external fund like loans or incurring indebtedness is not within the scope of MBA's operational and organization functions.

BUDGETING

Policies

The Board of Trustees is responsible for guiding the budget process and for approval of the annual budget. The Manager and Accountant will be responsible for preparing the proposed budget.

Procedures

1. The budgeting process will begin in September for the following fiscal year. This will allow for eight months of results to be used in planning the budget.
2. All budget documents will be submitted to the Accountant by September 30 for consolidation into an overall agency budget. The Manager will then review this to determine if there are any obvious areas which may need to be reworked.
3. The collated budget will be submitted by October 15 for review and feedback. Any further revisions will be made and the budget presented to the Board by November 15.
4. The responsibility for each area of the budget is as follows:
 - a. Manager – program revenues and expenses, operations expenses, and capital budget.
 - b. Accountant – Accounting expenses, investment income, and projected balance sheet.
 - c. Board Treasurer – Board and committee expenses.

5. After completion and approval of the budget by the Board of Trustees, the budget will not be modified for subsequent activities.

Proper Documentation for all Reimbursements, including NATCCO MBAI's Purchases:

Every instance of reimbursements must be documented with travel authorizations, receipts, individuals paid for nature of business, etc. before the expense will be considered authorized and will be approved for payment.

The Accountant double-checks all reimbursement requests against receipts provided.

- A. *Lodging* - Provide an itemized receipt from the hotel detailing every charge and the name of the person(s) for whom lodging was provided.
- B. *Meals/Entertainment* - Provide a receipt showing separately the cost for food/beverage and gratuities, and including the names of every person for whom food or beverage was provided and the specific business purpose which was furthered by the expenditure.
- C. *Other Expenditures* - A receipt from the vendor detailing every individual good or service purchased (including class of service for commercial transportation) accompanied by an explanation of the specific business purpose which was furthered by each expenditure.

Personnel Files

The Manager is charged with the responsibility of maintaining personnel files. All personnel records are to be kept locked in a locking file cabinet in the Manager's office. Access to these files other than by the Manager or the auditor should be requested in writing to the President. Each personnel file should contain the following information, at a minimum.

- a. employment application or resume
- b. job description
- c. date of employment
- d. position, pay rates and changes therein
- e. authorization of payroll deductions
- f. leave applications
- g. earnings records for non-active employees
- h. withholding authorization
- i. termination data, when applicable

Financial Policy Statements

1. All cash accounts owned by NATCCO MBAI will be held in financial institutions.
2. All capital expenditures which exceed PhP5,000.00 will be capitalized on the books and records of NATCCO MBAI.
3. Employee paychecks and/or personal checks will not be cashed through the petty cash fund of NATCCO MBAI.
4. No salary advances will be made under any circumstances.
5. No travel cash advances will be made except under special conditions and preapproved by the President. Reimbursements will be paid upon full expense reporting using the official NATCCO MBAI's form within the normal disbursement schedule.

6. Any item of any value, received via donation, will be recorded in the books and records of NATCCO MBAI.
7. It is the policy of NATCCO MBAI to reimburse out of pocket expenses only when supporting documentation has been presented for approved costs incurred.
8. It is the goal of NATCCO MBAI to maintain a minimum of thirty percent (30%) of the operating budget between its operating and savings bank accounts at all times.
9. In the event that balances fall below that amount the Manager and Treasurer should be notified immediately.
10. Two signatures will be required on checks. The first priority to sign the check is the Treasurer, in his/her absence, the order of Group A and B priority shall be followed. There are two sets of bank signatories: Group A composed by the President, Board Chairman and Board Treasurer; and Group B composed by Board Secretary and Designated Board Trustee. Any two from Group A or any one from group A and B shall be allowed to sign checks.
11. Bank statements will be reconciled monthly in order to account for any outstanding or lost checks.
12. Expense reports will be maintained which will disclose the nature of expenses, and the dates incurred.
13. Separate files will be maintained for each bank account and each vendor. Files will be kept separately for each fiscal year.
14. The services of a Certified Public Accountant will be engaged to prepare a formal financial audit of the NATCCO MBAI's fiscal year-end.

END OF MONTH ACCOUNTING PROCEDURES

Monthly Reports

Policies

The Accountant should prepare a set of monthly financial reports for distribution to the President, and the Board of Trustees. The reports should include: a statement of financial position, statement of comprehensive income, statement of members' equity and statement of cash flows; a budget-to-actual report for all accounts included in the annual operating budget; and a cash flow projection. The monthly statements should be reviewed by the Manager and Manager prior to presentation to the board meeting every month. The monthly statements will be finalized by the conclusion of the month following the statement period. The Board of Trustees approves the monthly financial statements.

Procedures

1. The cutoff for information in the monthly statements is two weeks after the month end.
2. Upon completion of the monthly bank reconciliations, the Accountant will formulate the monthly journal entries. There are two types of monthly journal entries, those that remain consistent from month to month (recurring) and those that are specific to that month. The recurring journal entries are determined after the annual audit with the help of the CPA firm. These include depreciation, accrual and prepayments. The specific journal entries include recording interest earned for the held-to-maturity securities, accrued/unearned interest, unrecognized deposits, NSF checks, bank charges, accrued wages and payroll taxes, receivables, etc.
3. The Accountant will maintain a file for each month which includes work papers which document the balance of each balance sheet account. All balance sheet accounts will be

reconciled monthly to help ensure that accurate statements are provided to management and the Board.

4. Once the final general journal entries are posted, the monthly financial statement is printed along with a copy of the general ledger for that month as well as the general journal entries posted.
5. The adjusted financial statements are to be delivered to the Board of Trustees within two weeks after the end of the month.
6. The Accountant prepares a budget to actual expense report for the Manager and the Board of Trustees to be included with the monthly financial statements.

END OF YEAR ACCOUNTING PROCEDURES

Year-End Report/Audit

Policies

The Accountant prepares the year-end financial statements. The Accountant is responsible for preparing for the annual financial audit and for working with the outside accountants to complete the audit. A statement of financial position should be prepared as of September 30 and should be attached to the statement of comprehensive income. This report will be initially reviewed by the Manager and then by the Treasurer at least one week prior to distribution at the annual board meeting.

A year-end Audit Report should be prepared summarizing the total income and expense activity for the year. An independent auditor to conduct this review will be accepted between September 1 and October 15. In accordance with NATCCO MBAI's policy, the auditing process will begin on or about November 1. The Board of Trustees approves the year-end financial statements. The Accountant will arrange to move all records from the year which is closing to storage.

Procedures

1. The cutoff for December financial statements is extended to four weeks after year end.
2. Upon completion of the December financial statements, the preliminary yearend report is run by the Accountant and given to the Manager for review.
3. The Accountant calculates the recurring entries (with the help of the CPA firm if needed) for the next year.

FINANCIAL AUDIT

1. The Accountant will contact the independent accountants as soon as the Manager signs the audit engagement letter to begin planning the scheduling and work needed to complete the audit.
2. The Accountant will ensure that adequate space is provided for the independent accountants to work in NATCCO MBAI's office. This would include one or more large tables, space to keep all records provided to the independent accountants, light and electrical outlets.
3. The Accountant will work with the independent accountants to determine what confirmations will be required. This process will be completed as soon after year end as possible.

4. The Accountant will oversee typing the confirmations. The Manager will sign the confirmations. The Accountant will mail the confirmations to the independent auditors.
5. The Accountant will be responsible for preparing as many of the schedules which the auditors will use as possible. The completed monthly reconciliations for December will partially fulfill this requirement.
6. Some of the information which needs to be organized and made available includes: the complete general ledger for the year, a chart of accounts, all bank statements and cancelled checks, all paid invoices, all cash receipts logs, Board minutes for the year under audit through the most recent minutes available, documentation for fixed assets capitalized and documentation for other services or assets recorded in the general ledger.
7. The Accountant will be available at all times throughout the audit to facilitate the work of the independent accountants.
8. The Manager will schedule some time to meet with the independent accountants as needed during the audit. The Administrative Assistant will also be available for any work which the Accountant may delegate to them.
9. The Accountant and Manager will plan a meeting with the independent accountants at the end of the audit to discuss any issues raised, review the audit journal entries, evaluate the audit process and plan improvements for the following year.

ACCESS TO RECORDS AND RECORD RETENTION

Policies

The records of NATCCO MBAI are generally open to public inspection due to Philippine Financial Reporting Standards' (PFRSs) rules, open records laws and the spirit of public service. However, certain information is not open to public examination and may only be released with the permission of the Manager. Questions in this area are to be resolved by the Manager. If the answer to a request is unclear the Manager may seek legal consultation to address the said matter.

Record retention is governed by various rules, statutes of limitations and common sense. Certain documents must be retained indefinitely, while others may have little use after a year.

Procedures

Personnel Records

1. All requests for personnel records, job references and credit inquiries will be referred to the Manager.

Financial Information

2. Financial statements and other financial information are regularly distributed to NATCCO MBAI employees and the Board. This information is not to be made available to persons who are not regularly authorized to receive that particular report. Any such requests for information must be approved by the President.

Records Retention

3. Prior to discarding of records, the permission of the Manager and the Accountant are required. All discarded documents are to be shredded.
4. For tax purposes, records should be maintained until the expiration of the statute of limitations. Generally, that period expires 3 years after the due date of the return or the date filed. While there are a few exceptions to this rule, the three-year period normally should be adequate.
5. For non-tax purposes, records should be maintained only as long as they serve a business purpose or until all legal requirements are met. Some of the factors that should be considered are as follows:
 - a) Local statutes and regulations
 - b) Industry requirements or standards
 - c) Potential claims or litigation
 - d) Contract requirements

Other records retention period begin with settlement of claims, disposal of asset, termination of contract, etc. Some should be kept longer, e.g. checks for tax payments should be kept with the tax returns, checks for asset acquisitions should be kept with bill of sale, etc. Legal and important correspondence should also be kept with documents to which they relate.

Records to keep permanently are also listed below:

1. Articles of Incorporation
2. By Laws
3. Audited Financial Reports
4. Cash Receipts and Disbursement Books
5. General and Subsidiary Ledgers
6. General Journal
7. Charts of Accounts
8. Minutes books
9. Deeds
10. Appraisals, if any

COMPUTER AUTHORIZATION AND BACKUP

Policies

The accounting computer and software will have access controlled by passwords. The Manager will control the master password. The Accountant will be given a complete system password and will control which other personnel will be given passwords.

The accounting data will be backed up regularly. The Manager is responsible for carrying out this backup. The Manager is responsible for maintaining the disaster recovery plan for the accounting software and for periodically testing the plan.

Procedures

Passwords

1. The Manager will maintain a record of all authorized users and the level of password access each user has. Passwords will be changed once each year in June.

Backup

2. The system backs up procedures are designed to maintain records of various periods until that period is closed.
3. An annual system backup of the accounting data will be maintained prior to its closing period. This backup will be maintained until the subsequent year accounting data is backed up and closed.
4. A monthly system backup of the accounting data will be maintained for each month until that month is again backed up the subsequent year.
5. A weekly system backup of the accounting data will be maintained for each week, as of Friday evening until that week is backed up.
6. A daily system backup of the accounting data will be maintained for each day that work is performed until that day is backed up the following week.
7. A copy of all data will be kept in a fireproof safe in the office. A copy of the annual and monthly data will be taken home by the Manager for storage. The Manager and the Accountant will have keys to the fireproof safe.
8. The Accountant will ensure that the appropriate files backups are made at the end of each day.

MAINTENANCE OF ACCOUNTING POLICIES AND PROCEDURES MANUAL

Policies

The accounting policies and procedures manual are critical to the accounting function of NATCCO MBAI. The Accountant is responsible for maintaining the manual.

All proposed changes by the Accountant must be reviewed by the Manager. The Manager will recommend the reviewed proposal to the Manager for approval. The policies and procedure manual will be dated with the date of each approved revision.

Procedures

1. Each year the Accountant will review the manual and formulate proposed changes. This update will be completed no later than October of each year. All changes must be approved in writing by the Manager and President.
2. If the Accountant has no proposed changes, a memo to that effect must be approved by the Manager and President.
3. Whenever changes to the accounting procedures are made, a review of the accounting policies and procedures manual will be made by the Accountant to determine if a revision is required.
4. Any minor revisions to the manual which are not reflected in the manual immediately should be kept on file to incorporate into the formal annual update.
5. The revised manual will be distributed to the Board of Trustees for confirmation and final approval.