

United States Agency for International Development

PHILIPPINES

FINANCIAL MANAGEMENT

Manual

FOR
PVO
GRANTEES



**FINANCIAL
MANAGEMENT**
Manual

**FOR
USAID
PVO
GRANTEES**

This manual is dedicated to the memory of our colleagues who gave their lives in the line of duty; and in production of this very manual.

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I. INTRODUCTION

Human endeavors, either for personal or business gains, are best appreciated if their results can be measured and quantified based on certain goals or objectives. Accounting provides donors, grantors, creditors, and other decision makers with financial statements which report in financial terms the results of the operation of a project. Through accounting, financial information is accumulated and communicated to management for the efficient and productive administration of limited resources. It is important, therefore, for those with managerial functions to understand and appreciate accounting as a basic management tool.

Accounting has four (4) phases, namely:

1. **Recording** - This phase is popularly called Journalization. It involves the process of chronological recording into the books of accounts of the PVO, all financial transactions that take place on a day-to-day basis in accordance with generally acceptable accounting rules and procedures.
2. **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 original books of entries, referred to as journals. The ledger is a group of accounts which are systematically categorized into the following elements: (a) Assets; (b) Liabilities; (c) Capital; (d) Revenues; and (e) 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.
3. **Summarizing** - This part involves the preparation of financial statements or reports. Financial statements are usually prepared periodically either annually, semi-annually, quarterly or monthly.

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

Persons interested in Accounting should be familiar with the Bookkeeping process as follows:

1. **Journalization** - This is the initial recording of transactions in an accounting book such as the journal, cash receipts book, or cash disbursement book.
2. **Posting** - This refers to the recording of account balances and other information from the journals to the ledger. Posting serves to sort out the changes resulting from each transaction and to record these changes under appropriate account headings or titles.
3. **Prepare a periodic Trial Balance** - A trial balance is a list of balances or of total debits and credits of each account taken: (a) to determine that equality of debit and credit is maintained in the ledger, and (b) to serve as a basis for preparing the financial statements.
4. **Preparation of Worksheet** - A worksheet is a columnar device used by Accountants as a means of organizing accounting data in convenient and orderly manner. A worksheet is prepared to facilitate the preparation of financial statements, as well as the formulation of adjusting and closing entries.
5. **Record adjusting entries in the books** - Adjusting entries bring accounts up-to-date before the preparation of the financial statements. They are required because certain changes in accounting values cannot be conveniently recorded as they take place.

6. **Closing the books** - The process of closing the books involves two stages journalizing and posting closing entries, and ruling the ledger. Asset balances at the end of the period are carried forward to become balances of the new period. Closing entries are prepared at the end of each accounting period to close-out balances of income and expense accounts and to transfer their net total to Fund Balance. Closing entries serve to "empty" income and expense accounts and prepare them to record transactions of the next period.

Note: Income and expense accounts for USAID Grants are not closed until after the end of the project.

7. **Prepare a post-closing trial balance** - A post-closing trial balance is usually prepared after closing entries have been entered in the ledger. This is to be done before any transaction for the next period is to be posted to prove the equality of debits and credits in the ledger after the process of closing the books of accounts.
8. **Record reversing entries** - A reversing entry is prepared with reference to a previous adjusting entry which it "reverses" by debiting what was credited and crediting what was debited in the previous entry. The purpose of reversing entries are (a) to simplify bookkeeping entries in the next accounting period which relate to items adjusted at the end of the current period, (b) to maintain uniformity of accounting procedures in recording income and expenses, and (c) to close non-moving accounts.

To facilitate the understanding and appreciation of accounting, this Manual contains basic internal control guidelines, applicable USAID regulations, procedure flow-chart, and detailed narrative discussions of accounting procedures. The Manual aims to facilitate the recording, classifying, and summarizing of financial transactions for Non-Government Organization (NGOs) or Private Voluntary Organization (PVOs). This Manual addresses the Financial Management needs of PVOs. Similarly, it was designed to be flexible enough to accommodate changes necessary to address the varying needs of users.

II. GENERAL ACCOUNTING SYSTEM

A. Basic Features:

The General Accounting System (Chart I) classifies and presents the flow of accounting information from the original source documents to the books of original entry (journals) and eventually to the book of final entry (general ledger). The general ledger is the basis for the preparation of periodic trial balance and various financial reports.

The system includes:

1. Coded chart and description of accounts;
2. Internal control features;
3. USAID operating and financial guidelines
4. Detailed narrative accounting procedures and illustrative journal entries;
5. procedures flow chart of major sub-systems; and
6. Exhibit of accounting forms used in processing and recording.

The System adopts the concept of Generally Accepted Accounting Principles. It requires that disbursements are properly approved, identified and classified.

The System is designed for the financial operations of USAID assisted projects but it is flexible enough to meet the operational and financial activities of the whole PVO.

B. Chart of Accounts:

The Chart of Accounts (Exhibit 1) is designed to facilitate the recording and summarization of transactions and the preparation of financial reports. Accounts are grouped into: Assets, Liabilities, Fund

balances, Revenues and Expenses. A block number is assigned to each account group to allow flexibility for creating new accounts without altering existing account numbers.

The Chart identifies accounts that are applicable to each project and indicates the applicable fund sources. Assets are identified by project to facilitate monitoring and location.

The Coding System has the following mechanisms:

1. A basic three-digit code shall be used to identify the major accounts grouping in the financial statements. The first two digits represent the main classification of the accounts to facilitate summarization of accounts in the Trial Balance. The last digit represents subsidiary ledger codes or numerical designation of main account sub-classification. The account groupings are enumerated as follows:

Assets	100	to	199
Liabilities	200	to	299
Fund Balances	300	to	399
Revenues	400	to	499
Expenses	500	to	599

To illustrate the coding system:

Account code	103
1	Asset
0	Cash
3	Cash in Bank

Account Code	501
5	Expenses
0	Personnel
1	Salary of Project Director

2. For the overall operation of the PVO, major account groupings are classified into fund entities and sources/uses of funds. A prefixed single-digit code is assigned to identify types of funding as follows:

General Fund	1
USAID Fund	2
Other Funds	3 to 5

3. A prefixed double-digit code is used to identify the project as follows:

Project A	01
Project B	02
Project C	03

Note : This Coding System is applicable when a funding agency has two or more projects.

Examples of the Coding System are as follows:

1. Cash in bank - USAID Fund

```

2 - 01 - 103
:   :   :----- Account grouping (Cash in bank)
:   :----- Project title (Project A)
:----- Fund source (USAID)
```

2. Personnel - USAID Fund

```

2 - 01 - 501
:   :   :----- Account grouping (Expense)
:   :----- Project title (Project A)
:----- Fund source (USAID)
```

3. Travel - General Fund

```

1 - 02 - 505
:   :   :----- Account grouping (Expense)
:   :----- Project title (Project B)
:----- Fund source (General Fund)
```

C. Books of Accounts and Subsidiary Control Records

Special multi-column books of accounts are used to facilitate the recording, posting, and classifying of financial transactions. The books of accounts are the sources of information for the preparation of management reports. Subsidiary records are set up for major accounts with numerous components for recording and internal control purposes. A brief description of the books of accounts and subsidiary control records follows:

Description:

a. Books of Accounts:

1. Cash Receipts Book - Records all cash receipt transactions. Contains columns for Cash in Bank (separate column for each bank account) and regular sources of cash.
2. Cash Disbursements Book - Records all transactions involving checks disbursements, contains columns for Cash in Bank and all major expense accounts recurringly used.
3. Sales Book - Records all sales transactions of a trading enterprise. Recording must be done chronologically with the Sales Invoice No. as a reference.
4. Journal Voucher - Serves as a source document and as a book of accounts to record all noncash transactions. Examples of such transactions are liquidation of cash advances, adjusting or reclassifying entries, and depreciation of fixed assets.
5. General Ledger - Book of final entry. Summarizes all entries in the books of original entry (cash receipts book, cash disbursements, sales book, journal voucher, etc.). The account balances in this book are the basis for the preparation of the financial statements.

b. **Subsidiary Records**

1. Loans Receivable Subsidiary Ledger - Records loan and collections made from loan borrowers. One subsidiary ledger is maintained for each borrower. The borrower's name and address, amount borrowed, terms of payment, interest rate, and other data should be indicated in the ledger.
2. Advances to Officers and Employees Subsidiary Ledger - Records all cash advances to officers and staff and the liquidation of these advances. One subsidiary ledger is maintained for each individual.
3. Stock Card - records and controls the receipt and issuance of high value inventory and other expendable items. A separate stock card should be maintained for each item.
4. Property & Equipment Lapsing Schedule - Contains historical data (date of acquisition, cost, brief description of each item, rate and periodic depreciation charges, etc.) of each property and equipment.
5. Accounts Payable Subsidiary Ledger - Records all purchases on account and the subsequent payments thereof. One ledger is maintained for each creditor/supplier.
6. Project Expenditures Subsidiary Ledger - Contains details of actual project expenditures. One ledger should be maintained for each expense budget line item in the grant budget.
7. Employee's Earnings Records - Contains current data on the employee's salary rate, earnings, deductions, and leave benefits.

c. **General Guidelines on Usage**

1. All transactions should be recorded in the applicable book of original entry on the date of incurrence to avoid recording backlogs and to ensure updated accounting records.
2. Every end of the month, the various columns in the books of original entry (i.e. Cash Receipts Book, Cash Disbursements Book and Sales Book) are summarized and the totals posted to the General Ledger.
3. Journal Voucher entries should be properly supported and approved with brief explanations on the nature of the transaction. Journal vouchers are recorded individually in the General Ledger and the Subsidiary Ledgers.
4. A "trial balance" (summary of the account balances in the General Ledger) is prepared monthly to check accuracy of recording and as the basis for the preparation of financial statements.
5. The total of all subsidiary ledgers is reconciled with the corresponding balance in the General Ledger at the end of the month.
6. Monthly Bank Reconciliation Statement should be prepared within three (3) days after receipt of the bank statement.
7. All reconciling items requiring adjustments must be taken up immediately in a Journal Voucher with proper approval of authorized officials.

d. **Books of Accounts for USAID Grants**

1. The grantee shall keep and maintain separate financial accounting records for USAID Grant funds. Books of accounts will be available for inspection by USAID representative at anytime during the life of the Grant. Audit rights are retained by USAID for up to three (3) years after completion of the project.

2. Financial records, supporting documents, and all other records pertinent to a grant or an agreement shall be retained for a period of 3 years, with the following exceptions:
 - i. If any litigation, claim or audit is started before the expiration of the 3-year period, the records shall be retained until all litigations, claims, or audit findings involving the records have been resolved.
 - ii. When records are transferred to or maintained by AID, the 3-year retention requirements are not applicable to the recipient.
3. Records for nonexpendable property acquired with USAID funds shall be retained for 3 years after its final disposition.
4. The retention period starts from the date of the submission of the final expenditure report or, for grants and agreements that are renewed annually, from the date of the submission of the annual financial status report.
5. Grantees may substitute microfilm copies in lieu of original records. Grantee requests for microfilm substitution shall be submitted to the Grant Officer, who shall obtain O/FFPVC's and Inspector General's office clearance of the request. If microfilming is approved, the recipients and/or subrecipient shall comply with the appropriate requirements of USAID.
6. The Grant Officer may request transfer of certain records to AID's custody from the Grantee when O/FFPVC and the Inspector General's office determine that the records possess long-term retention value and recipient no longer needs them for performance under the grant or agreement.

7. The AID Administrator and the Comptroller General of the United States, or any of their duly authorized representatives, shall have access to any pertinent books, documents, papers, and records of the Grantees and their subgrantees to facilitate audits, and examinations, or to make excerpts and transcripts.

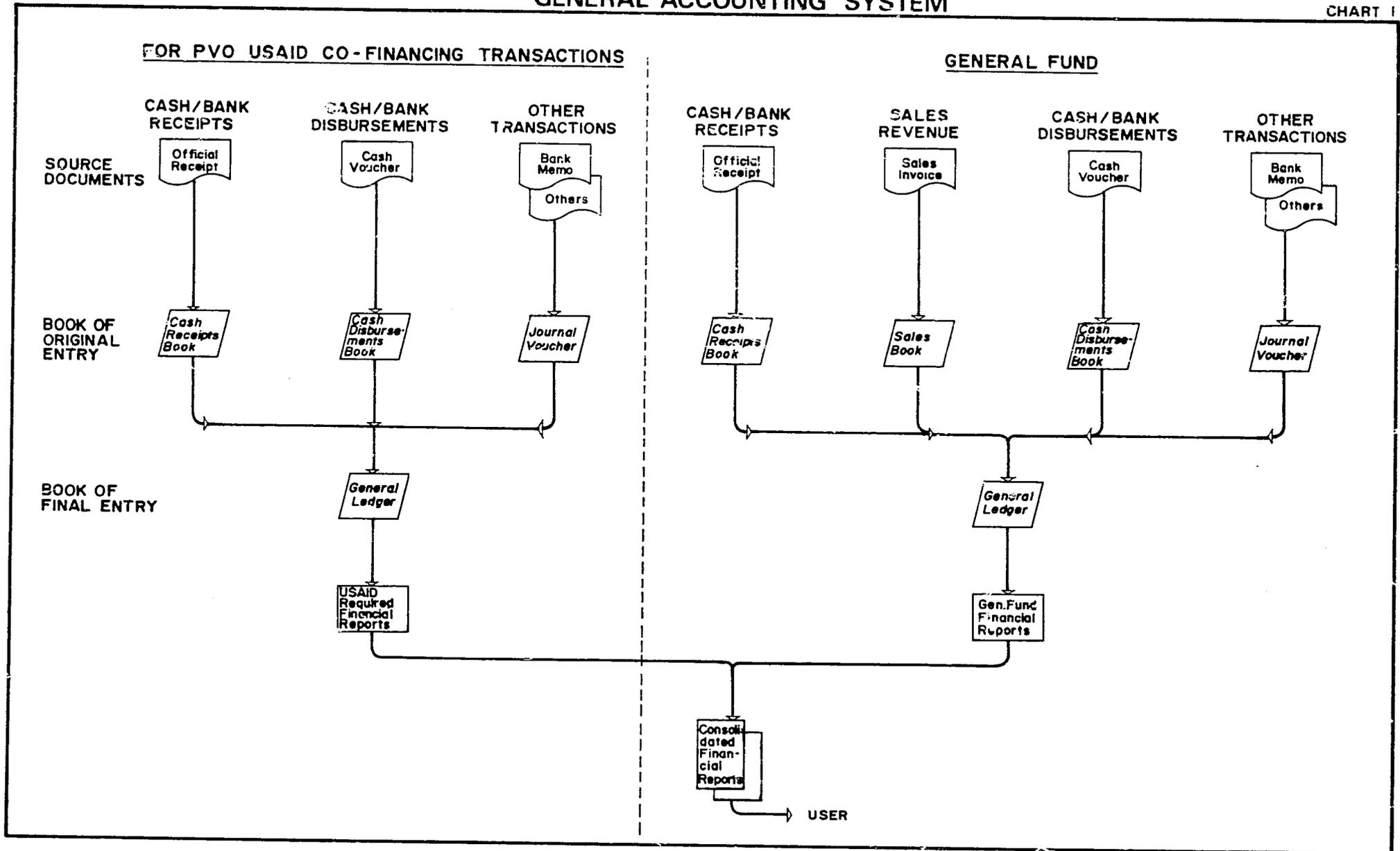
8. With respect to public access to Grantees' records that are pertinent to an AID grant or agreement, the public shall have access to such records on the same basis as they would to such Agency records under the Freedom of Information Act (5 U.S.C. 552). The recipient shall be guided by AID Regulation 12 (22 CFR 212). The recipient may submit questionable inquiries through the Grant Officer to the M/SER/OP Freedom of Information Officer for an opinion.

d. Illustrative Accounting Entries

For easier understanding of the Coding System discussed in the Chart of Accounts and for accuracy in the recording of transactions, illustrative accounting entries are presented after each sub-system. The accounting entries are intended to guide Manual users in recording transactions of the PVO's daily operations. It is to be noted that these accounting entries are applicable only to USAID books of accounts.

GENERAL ACCOUNTING SYSTEM

CHART I



III. ACCOUNTING CONTROLS AND PROCEDURES AND USAID OPERATIONS AND FINANCIAL GUIDELINES

A. BASIC FEATURES:

The principal objectives of any accounting control system are: to physically safeguard the organization's assets i.e. to prevent fraud and other losses; and to ensure the accuracy and completeness of the accounting records. To achieve these objectives, the accounting system should be designed to include the following basic internal control features:

1. Segregation of duties (i.e. physical control over assets must be separate from recording and operational functions);
2. Appropriate authorization of transactions;
3. Internal check and balances;
4. Adequate management supervision; and
5. Plan of organization.

The succeeding sections describe the standard internal accounting control guidelines and procedures for each major sub-system, taking into consideration the above mentioned features. Likewise, USAID operating and financial guidelines are also presented for easy guide and reference.

It is important to note that not all sub-systems are applicable to all PVOs. Management discretion should be exercised to select the applicable sub-systems based on the nature of the projects and assets of the PVO. The accounting procedures assume sufficient PVO personnel to allow proper segregation of duties. For PVOs with inadequate staff to achieve optimal segregation of duties, management supervision should be increased to compensate for functional overlaps.

CASH/BANK RECEIPTS

A. Guidelines and Internal Control Features:

1. The Cashier must issue an Official Receipt (OR) for all cash received. Supporting documents, if any, will be attached to the ORs.
2. ORs should be used in numerical sequence and controlled by the Finance Officer. Voided or cancelled ORs must be marked "CANCELLED" and then filed for future reference.
3. The functions of receiving cash and issuing ORs should be assigned to a person other than the Bookkeeper or Accountant.
4. A cash box should be used and keys should be secured.
5. All daily collections should be deposited intact to the bank not later than the next banking day. Cash not immediately deposited should be kept in the cash box.
6. An unscheduled physical count of undeposited collections must be periodically conducted by the Finance Officer.
7. Separate bank accounts should be maintained for USAID funds and other funds of the PVO so as to prevent their comingling.
8. A reconciliation of banking transactions should be done on a monthly basis by a person other than the Cashier.

B. USAID Operating Guidelines:

1. The Grantee and any sub-grantee shall deposit all USAID cash advances in a separate interest bearing bank account.

2. The Grantee shall execute a Special Bank Account Agreement with the depository bank using the form in Exhibit 16 immediately upon signing of the grant agreement. A copy of the signed bank agreement shall be sent to USAID immediately after execution.
3. USAID grant funds provided may not be commingled with other funds owned or controlled by the Grantee or subgrantee, including other USAID funds managed by the Grantee or subgrantee.
4. Interest earned on USAID advances shall be remitted to the Office of Financial Management, USAID quarterly.
5. Loan Reflows (loan collections and program income) shall be deposited in a bank account separate from the account mentioned in point No. 2 above.
6. Program income is gross income earned by the Grantee from activities supported by USAID under a particular Grant. It includes, but is not limited to, income from service fees or charges and interest earned with respect to funds loaned under a capital assistance or credit component of the project. Program income does not include interest earned on AID funds discussed in No. 4
7. Program income may be used by the Grantee provided such income is:
 - a. Added to funds committed to the project by USAID or the Grantee and used to further eligible project objectives. This means that the income may be used to continue and/or expand the activities in the main grant.
 - b. Used to finance counterpart contributions to the project if approved in writing by USAID.

Program income may be used by the Grantee without accountability to USAID after termination of the grant, provided that the Grantee informs USAID of the plan of operations for use of such income prior

to expenditure; and provided further, that the Grantee reports to USAID on activities financed with program income during the period of the Grant.

8. Loan collections will be used to service new groups of borrowers and/or second-time borrowers who have fully repaid all previous loans.
9. Minimum documentations required on file:
 - a. Official Receipts;
 - b. Sales Invocies (for trading activitiy); and
 - c. Bank Credit Memo - for collections directly sent to the bank by the payor.

C. Possible Results for Non-Compliance:

1. Cash received may be lost or misappropriated.
2. Cash received may be unreceipted and undeposited.
3. Recording and banking errors will remain undetected.

D. Narrative Accounting Procedures: Cash Receipts (Chart II)

Step No.	Responsible Personnel	P r o c e d u r e s
1	Cashier	-- Receives cash/checks from payor and issues prenumbered OR (Exhibit 17) in triplicate
2	Cashier	- Distributes cash/checks, OR and Supporting Documents (SDs) as follows: Cash/Cheque to Cash Box OR-1 to Payor OR-2, OR-3 and SDs to temporary file

<u>Step No.</u>	<u>Responsible Personnel</u>	<u>P r o c e d u r e s</u>
3	Cashier	- Not later than the next banking day, secures all cash/checks in cash box and prepares Deposit Slip (DS) in duplicate
4	Cashier	- Forwards DS, OR-2 and 3 and SDs to the Finance Officer for review
5	Finance Officer (FO)	- Reviews completeness of ORs and the conformity of documents submitted - Initials OR to evidence review
6	FO	- Instructs Cashier to deposit cash/checks to the bank
7	FO	- Forwards OR-3 and SDs to the Accountant
8	Cashier	- Receives bank validated DS-2 and records it in the Daily Cash Position Report (DCPR, Exhibit 57) - Submits copy 1 of DCPR to the Finance Officer and files DCPR-2 chronologically
9	Cashier	- Forwards bank validated DS-2 to the Accountant
10	Accountant	- Receives OR-3 and SDs from the Finance Officer and receives DS-2 from the Cashier - Checks conformity of OR-3 and SDs - Indicates in the OR the entry to record the transaction - Initials OR-3 to evidence checking
11	Accountant	- Records the transaction into the Cash Receipts Book (CRB, Exhibit 3) and to the pertinent subsidiary ledgers. Files OR-3, SDs and DS-2 numerically.

- 12 Accountant - At month end, summarizes CRB and posts account totals to the General Ledger (GL, Exhibit 7)
- 13 Accountant - Receives Bank Statement and reconciles it with the corresponding GL balance
- 14 FO - Reviews the bank reconciliation statement and investigates any irregularities discovered

E. Narrative Accounting Procedures: Bank Receipts (Chart III)

Step No.	Responsible Personnel	P r o c e e d u r e s
1	Cashier	- Receives Credit Memo (CM) from depository bank evidencing receipt
2	Cashier	- Prepares prenumbered OR in triplicate
3	Cashier	- Forwards OR and CM to the Finance Officer for review - Requests FO to sign OR to evidence review - Distributes OR and CM as follows: OR-1 to Payor OR-2 to File OR-3 and CM to Accountant
4.	Accountant	- Receives OR-3 and CM from the Cashier - Checks the conformity of OR-3 and CM - Indicates in the OR the entry to record the transaction - Initials OR-3 to evidence checking
5	Accountant	- Records the transaction into the CRB - Files OR-3, together with the CM, numerically
6	Accountant	- At month end, summarizes and posts account totals to the GL

F. Illustrative Journal Entries

1. Grants for specific projects.

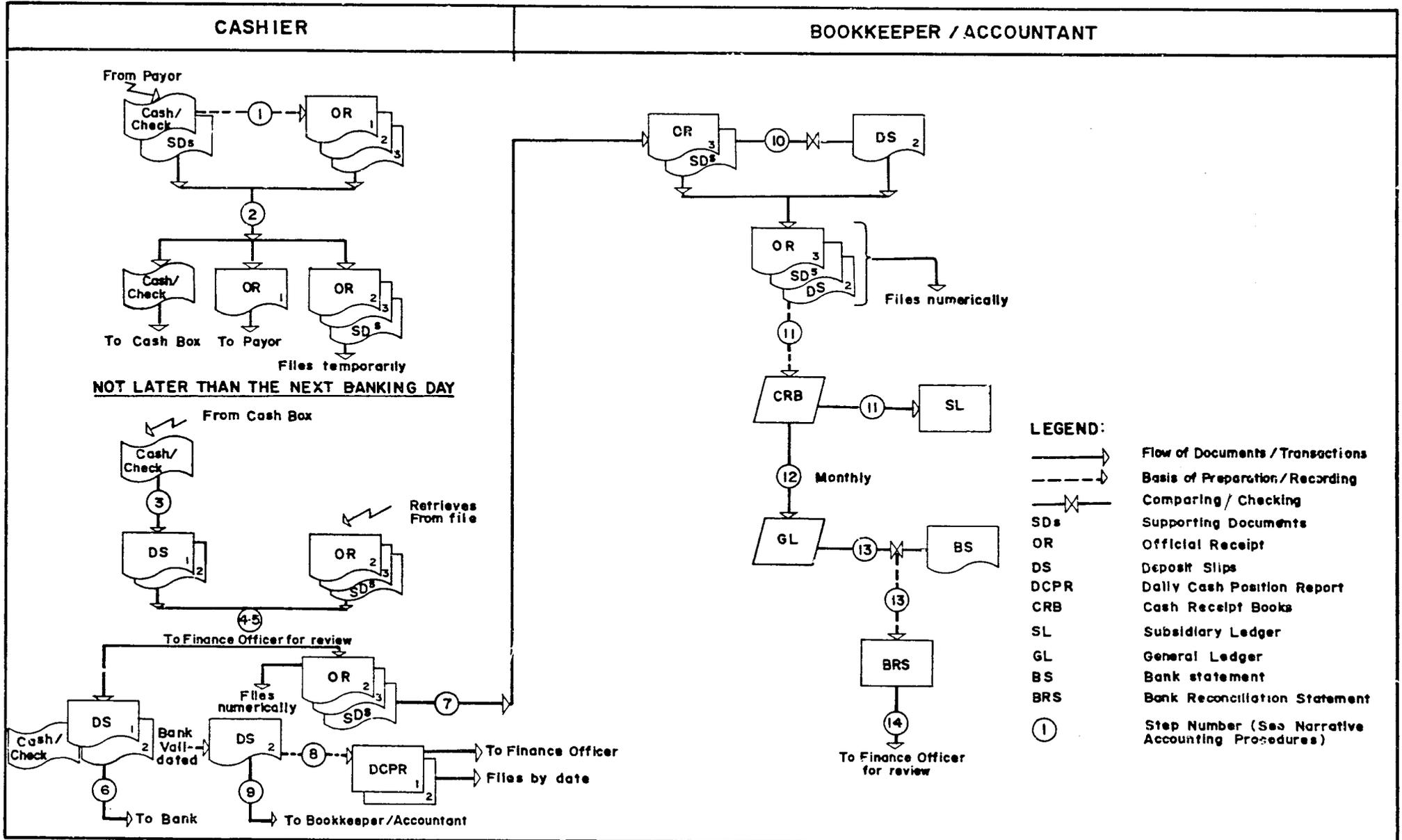
DR	Cash in Bank	xx	
CR	Grants - USAID		xx

2. Collection of cash advances to officers and employees

DR	Cash in Bank	xx	
CR	Advances to Officers and Employees		xx

CASH RECEIPTS PROCEDURES FLOW CHART

CHART II

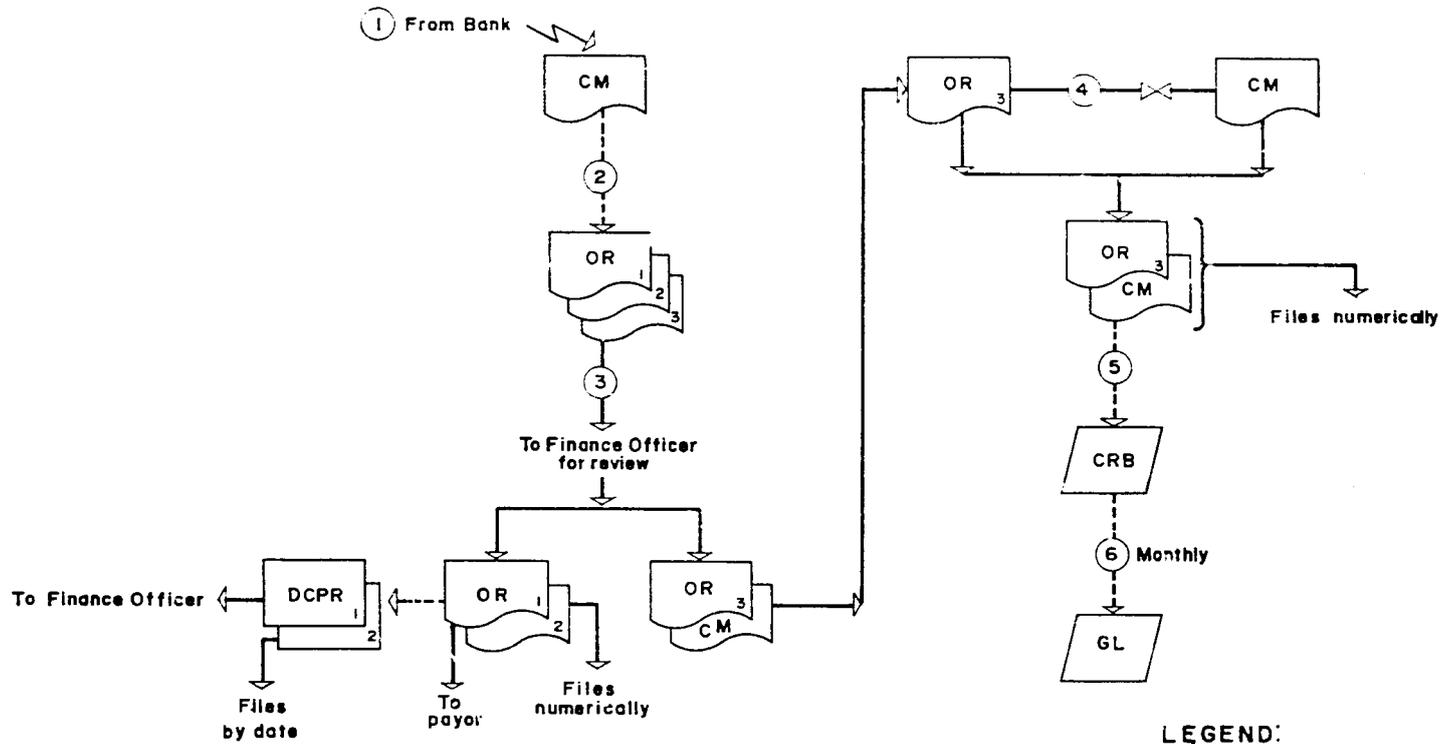


BANK RECEIPTS PROCEDURES FLOW CHART

CHART III

CASHIER

BOOKKEEPER / ACCOUNTANT



LEGEND:

- > Flow of Documents/Transactions
- - - - -> Basis of Preparation and Recording
- X————— Comparing/Checking
- CM Credit Memo
- OR Official Receipt
- DCPR Daily Cash Position Report
- CRB Cash Receipts Book
- GL General Ledger
- ① Step Number (See Narrative Accounting Procedures)

SALES/REVENUE

A. Guidelines and Internal Control Features:

1. All sales of inventories should be supported by prenumbered Sales Invoices (SI). The SIs will serve as the basis for recording revenue.
2. The Accountant should maintain Accounts Receivable Subsidiary Ledger (ARSL) for each buyer/customer to record and monitor the movements of the customer's account. The ARSL shall also serve as the basis for the preparation of the Statement of Accounts (SA)..
3. All cash/check and the corresponding SIs should be submitted to the Cashier at the end of the day or upon arrival from an out-of-town sales trip by the salesperson.
4. The Accountant should account for the numerical sequence of the SIs submitted by the salesperson.
5. The SIs should be recorded in the Sales Book (SB) on the date of incurrence.

B. Possible Results for Non-Compliance

1. Sales proceeds may be misappropriated by a salesperson.
2. Some uncollected customers' accounts may remain undetected.
3. Sales revenues may not be reported.

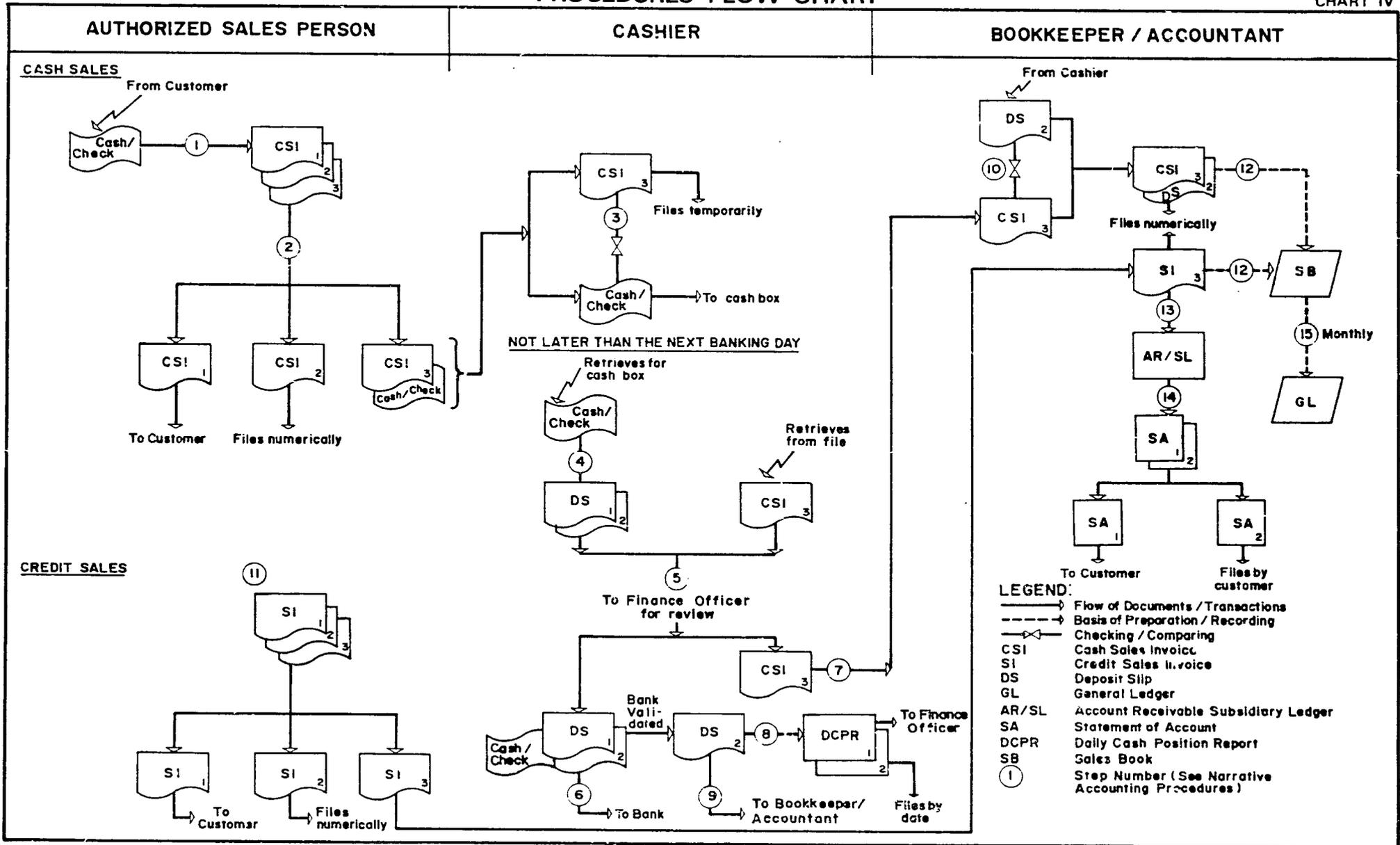
C. Narrative Accounting Procedures: (Chart IV)

<u>Step No.</u>	<u>Responsible Personnel</u>	<u>Procedures</u>
1	Salesperson	- For Cash Sales, prepare Cash Sales Invoice (Exhibit 18) in triplicate upon consummation of sale
2	Salesperson	- Distributes CSI and Cash/Check as follows: CSI-1 to Customer CSI-2 to File CSI-3 and Cash/Cheque to Cashier
3	Cashier	- Counts and compares the Cash/Cheque received if it agrees with the amount per CSI - Signs CSI-3 to acknowledge the receipt of payment - Files CSI- 3 temporarily and put the collection in cash box or vault for safekeeping
4	Cashier	- Not later than the next banking day, retrieves CSI-3 and secures cash/check from cash box - Prepares Deposit Slip (DS) in duplicate and forwards CSI-3 and DS to Finance Officer for review
5	Finance Officer	- Reviews completeness and accuracy of CSI-3 and DS - Initials CSI to evidence review
6	Finance Officer	- Instructs the Cashier to deposit cash/check to the bank
7	Finance Officer	- Forwards CSI-3 to the Accountant

<u>Step No.</u>	<u>Responsible Personnel</u>	<u>P r o c e d u r e s</u>
8	Cashier	<ul style="list-style-type: none"> - Receives bank validated DS-2 and records it in Daily Cash Position Report (DCPR, Exhibit 57) - Submits copy 1 of DCPR to the Finance Officer and files DCPR-2 by date
9	Cashier	<ul style="list-style-type: none"> - Forwards validated DS-2 to the Accountant
10	Accountant	<ul style="list-style-type: none"> - Compares and checks DS-2 and CSI-3 received
11	Salesperson	<ul style="list-style-type: none"> - For Credit Sales, prepares Sales Invoice (SI, Exhibit 19) in triplicate and distributes as follows: <ul style="list-style-type: none"> SI - 1 to Customer SI - 2 to File SI - 3 to Accountant
12	Accountant	<ul style="list-style-type: none"> - Records CSI-3 and SI-3 in the Sales Book (SB, Exhibit 5)
13	Accountant	<ul style="list-style-type: none"> - Posts SI to the Accounts Receivable Subsidiary Ledger (ARSL Exhibit 9) - Files numerically SI-3 and CSI-3
14	Accountant	<ul style="list-style-type: none"> - Prepares Statement of Account (SA, Exhibit 20) in duplicate every end of the month - Distributes SA as follows: <ul style="list-style-type: none"> SA-1 to Customer SA-2 to File
15	Accountant	<ul style="list-style-type: none"> - Summarizes the SB every end of the month and posts the account totals to General Ledger (GL, Exhibit 7)

SALES REVENUE PROCEDURES FLOW CHART

CHART IV



CASH/BANK DISBURSEMENTS

A. Guidelines and Internal Control Features:

1. Cash or Check Vouchers (CV) must be prenumbered.
2. All Disbursements, other than those from the Petty Cash Fund and/or Revolving Fund, should be made by check.
3. Disbursements should not be directly taken from undeposited collections or cash received from third parties.
4. All checks must be made payable to a specific payee. The drawing of check/s payable to "Cash" or to "Bearer" should be discouraged.
5. In all cases, there must be two check signatories. The signing of check/s should not be made by authorized signatories without supporting documents. Blank check/s should never be signed.
6. All CVs must be verified by an accounting staff and approved by a responsible officer.
7. 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.
8. Voided or spoiled checks must be properly marked "CANCELLED" or mutilated and filed for future reference.
9. Payee/s or person/s receiving the check should acknowledge receipt of payment by signing on the corresponding CVs.
10. The preparation and release of checks should be separate from the recording function.

11. Bank reconciliations should be done monthly by persons other than those in-charge for the issuance, safekeeping and signing of checks.

B. USAID Operating and Financial Guidelines:

1. PVOs shall disburse USAID funds in accordance with the specific budget line items in the grant agreement approved by USAID.
2. Without prior written approval of USAID, the Grantee may increase or decrease by up to 15 percent the amount budgeted for each major line item in the budget except for the line items for "Salary" and for "Other Direct Costs", provided that the total amount budgeted for the project is not changed. The Grantee shall promptly submit to USAID revised budgets incorporating any adjustments that are permitted by the foregoing sentence.
3. The Grantee will be reimbursed for costs incurred in carrying out the purposes of the Grant where those costs are determined by USAID to be **reasonable, allocable and allowable** in accordance with the terms of the Grant and applicable cost principles.

Unallowable costs, direct or indirect, include but are not limited to the following:

- a. Advertising;
- b. Bad Debts;
- c. Entertainment and Gifts;
- d. Fines and Penalties;
- e. Interest;
- f. Fund Raising;
- g. Investment Management Cost;
- h. Losses on Other Awards;
- i. Contingencies;
- j. Taxes;
- k. First Class Airfare, unless specifically approved by USAID;

- l. Certain Personnel Relocation Costs;
- m. Professional Fees in connection with litigation with U. S. Government;
- n. Organization and Re-organization Costs;
- o. Public Information Service Costs;
- p. Personal Cash Advance;
- q. Other Costs determined by the Grant Officer as unallowable; and
- r. Honoraria.

4. Minimum documentations required on file:
 - a. Approved Cash Vouchers with the following supporting documents:
 - Official Receipts;
 - Suppliers' Sales Invoices;
 - Purchase Order;
 - Travel Order and Request for Cash Advance;
 - Payroll Sheets; and
 - other documents as may be applicable.

C. Possible Results For Non-Compliance

1. Disbursements may be disallowed by USAID.
2. Checks may be fraudulently encashed by unauthorized persons.
3. Signed blank checks may be mis-used by unauthorized personnel.
4. Check payments may be duplicated.
5. Banking and recording errors may remain undetected.

D. Narrative Accounting Procedures: (Chart V)

<u>Step No.</u>	<u>Responsible Personnel</u>	<u>P r o c e d u r e s</u>
1	Cashier	<ul style="list-style-type: none">- Prepares the prenumbered Cash Voucher (CV, Exhibit 21) in duplicate based on the supporting documents submitted. Accomplishes CV with the following governing guidelines:<ul style="list-style-type: none">a. Original copies of the supporting documents should be attached to the CV.b. Accounts must be properly distributed.c. Footings and extensions should be checked.d. The amount in the CV must be equal to the amounts stated in the supporting documents.
2	Cashier	<ul style="list-style-type: none">- Forwards the CV, together with the supporting documents, to the Finance Officer for review and to the PVO Director for approval
3	Cashier	<ul style="list-style-type: none">- Upon approval, prepares a check based on the approved CV
4	Cashier	<ul style="list-style-type: none">- Forwards CV, together with the check and supporting documents, to at least two authorized signatories for approval and signature of check
5	Cashier	<ul style="list-style-type: none">- When releasing the check, requests the payee to sign in the CV to acknowledge the receipt of the check- Records the check numerically in the Check Register (CR, Exhibit 22) and in the Daily Cash Position Report (DCPR, Exhibit 57).

<u>Step No.</u>	<u>Responsible Personnel</u>	<u>Procedures</u>
6	Cashier	<ul style="list-style-type: none"> - Stamps "PAID" the CV and all supporting documents with the date of payment and check number indicated thereon - Forwards CV-1 and supporting documents to the Accountant - Files CV-2 numerically
7	Accountant	<ul style="list-style-type: none"> - Checks the numerical sequence of the CVs submitted and the footings, extensions and completeness of supporting documents
8	Accountant	<ul style="list-style-type: none"> - Records all the CVs received in numerical sequence in the Cash Disbursements Book (CDB, Exhibit 4) and files them numerically, together with the supporting documents - Makes the necessary recording to the related subsidiary ledgers
9	Accountant	<ul style="list-style-type: none"> - Monthly, summarizes all entries made in the CDB and posts account totals to the General Ledger (GL, Exhibit 7)

E. Illustrative Journal Entries

(See the applicable sub-systems for the different transactions under Cash Disbursements, e.g. Petty Cash and Revolving Funds Replenishments, Payroll, Granting of Loans, etc.)

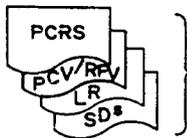
CASH DISBURSEMENTS PROCEDURES FLOW CHART

CHART V

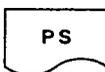
CASHIER

BOOKKEEPER / ACCOUNTANT

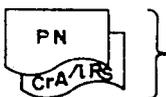
Petty Cash and Revolving Funds Replenishments (Chart V)



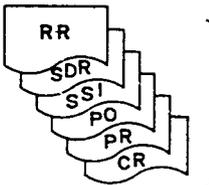
Payroll (Chart VI)



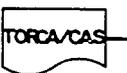
Granting of Loans (Chart XI)



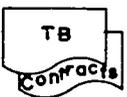
Purchases (Chart VII)



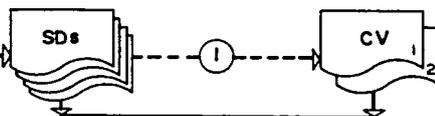
Cash Advances and Liquidation (Chart IX)



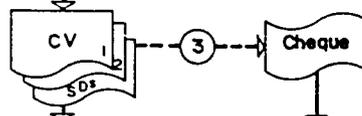
Training (Chart X)



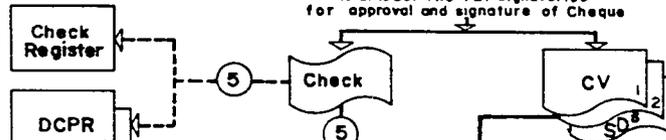
Other Disbursements (Not Charted)



To Finance Officer for review and to Project Manager for approval



To at least two (2) signatories for approval and signature of Cheque

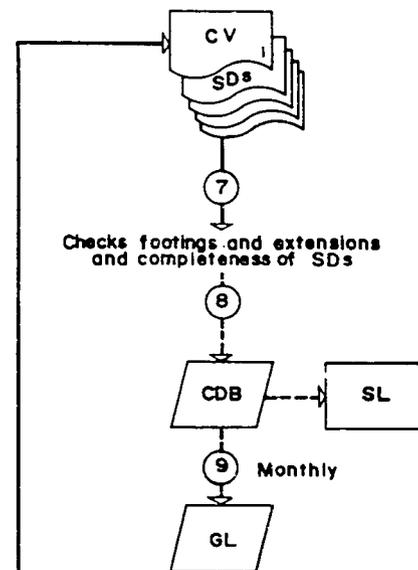


To Payee who acknowledges receipt by signing on the CV

Stamps "PAID" in ink and indicates date of payment

Files by date

Checks footings and extensions and completeness of SDs



LEGEND:

- | | | | |
|---------|---|-------|---|
| → | Flow of Documents/ Transactions | CR | Canvas Report |
| - - - | Basis of Preparation/ Recording | TORCA | Travel Order and Request for Cash Advance |
| ⊗ | Comparing / Checking | CAS | Cash Advance Slip |
| PCRS | Petty Cash Replenishment Summary | TB | Training Budget |
| PCV/RFV | Petty Cash Voucher / Revolving Fund Voucher | CV | Cash Voucher |
| LR | Liquidation Report | DCPR | Daily Cash Position Report |
| PS | Payroll Sheet | CDB | Cash Disbursements Book |
| SDs | Supporting Documents | SL | Subsidiary Ledger |
| PN | Promissory Note | GL | General Ledger |
| CrA | Credit Advice | ① | Step Number (See Narrative Accounting Procedures) |
| LRS | Loan Release Schedule | | |
| RR | Receiving Report | | |
| SDR | Supplier's Delivery Receipt | | |
| SSI | Supplier's Invoice | | |
| PO | Purchase Order | | |
| PR | Purchase Requisition | | |

PETTY CASH AND REVOLVING FUNDS
DISBURSEMENTS & REPLENISHMENTS

A. Guidelines and Internal Control Features:

1. The Petty Cash Fund and/or Revolving Fund should be maintained at a fixed amount (e.g. P2,000 or depending upon the daily operating needs) for minor and recurring expenses and/or advances.
2. The Fund/s should be kept under the **imprest system**. At any given time, the Fund/s set-up should equal the sum of the unreplenished Petty Cash/Revolving Fund Vouchers (PCV/RFV), unliquidated cash advances, plus the remaining cash in the Fund/s.
3. A maximum single disbursement limit, (e.g. P100.00) must be set and all non-recurring disbursements exceeding this limit must be paid by check.
4. The Fund/s should be physically segregated from the Custodian's personal and other cash funds.
5. The fund/s should not be used to accomodate personal and company checks issued by other parties.
6. The PCV/RFV, and all supporting documents, should be stamped "PAID", with the date of payment indicated thereon to prevent re-use of supporting documents.
7. The Fund Custodian should maintain a cash box (with lock) and the box keys should be kept in a secured place. Access to the Funds should be restricted to one or not more than two people.
8. An individual subsidiary ledger should be maintained for all employees with recurring cash advances.
9. Liquidation reports should be reviewed and approved by an authorized officer.

10. The aforementioned controls should be applied to both the office and the project site to ensure proper control of advances to projects.

B. USAID Operating and Financial Guidelines:

1. No cash advance shall be granted for personal purpose.
2. Cash advances from the Funds must be liquidated within two working days from the completion of the activity.
3. No cash advance shall be given to employees with unliquidated cash advances for completed activities.
4. Minimum documentations required:
 - a. Approved petty cash voucher;
 - b. Original copy of supporting documents, i.e. invoice, official receipts (OR), bus ticket or simulated invoices for items where invoice or OR is not available;
 - c. Approved travel itinerary (for transportation expenses); and
 - d. Any other supporting documents that may be secured.

C. Possible Results for Non-Compliance:

1. Petty/Revolving Cash may be misappropriated.
2. Double payments.
3. Long unliquidated cash advances.

D. Narrative Accounting Procedures: (Chart VI)

<u>Step No.</u>	<u>Responsible Personnel</u>	<u>P r o c e d u r e s</u>
1	Fund Requisitioner (FR)	- Secures a Cash Advance Slip (CAS, Exhibit 23) from the Fund Custodian and indicates the date, amount required and purpose of the cash advance
<p>Note: The CAS shall only be used when the exact amount of the expenditure is not yet determinable. Otherwise, Petty Cash/Revolving Fund Voucher (PCV/RFV, Exhibit 24) will be prepared.</p>		
2	FR	- Presents the CAS to the Finance Officer for review and to the PVO Director for approval before giving it to the Fund Custodian for encashment
3	Fund Custodian (FC)	- Files CAS temporarily and issues cash
4	FR	After the expenditures are incurred and the necessary supporting documents are available, prepares a Liquidation Report (LR, Exhibit 25) to determine the amount due/refundable
<p>Note: Liquidation report shall only be prepared if the expenses incurred are numerous. Otherwise, a PCV/RFV will be used.</p>		
5	FR	- Secures a PCV/RFV from the Fund Custodian and summarizes the expenses incurred
6	FR	- Presents PCV/RFV, together with the LR and supporting documents, to the Finance Officer for approval - After approval, forwards the documents to the Fund Custodian.

<u>Step No.</u>	<u>Responsible Personnel</u>	<u>P r o c e d u r e s</u>
7	FC	<ul style="list-style-type: none"> - Checks/compares PCV/RFV with the LR and supporting documents to determine if they are in proper order - Compares the PCV/RFV and LR against the CAS on file to determine the amount due from or refundable to FR
8	FC	<ul style="list-style-type: none"> - After the reimbursement/refund has been made, surrenders the CAS to the FR and stamps "PAID" on the PCV/RFV and supporting documents and indicates thereon the date of payment
<p>Note: If the actual expenses as shown in the PCV/RFV are different from the amount advanced through the CAS, reimbursement or refund will be made.</p>		
9	FC	<ul style="list-style-type: none"> - Accumulates the paid PCV/RFV and supporting documents in a cash box
10	FC	<ul style="list-style-type: none"> - Prepares a Petty Cash/Revolving Fund Replenishment Summary (PCRS, Exhibit 26) and attaches to the PCRS all PCV/RFVs and supporting documents - Forwards them to the Finance Officer (FO) for review and approval
11	FO	<ul style="list-style-type: none"> - Compares PCRS with PCV/RFVs and SDs
12	FO	<ul style="list-style-type: none"> - Forwards the approved PCRS and PCV/RFVs to the Cashier for check preparation (see Cash Disbursements Procedures)
13	FO	<ul style="list-style-type: none"> - Upon receipt of check, encashes it with the bank and hands the cash to the Fund Custodian

E. Illustrative Journal Entries

1. Setting-up or increasing Petty Cash/Revolving Funds

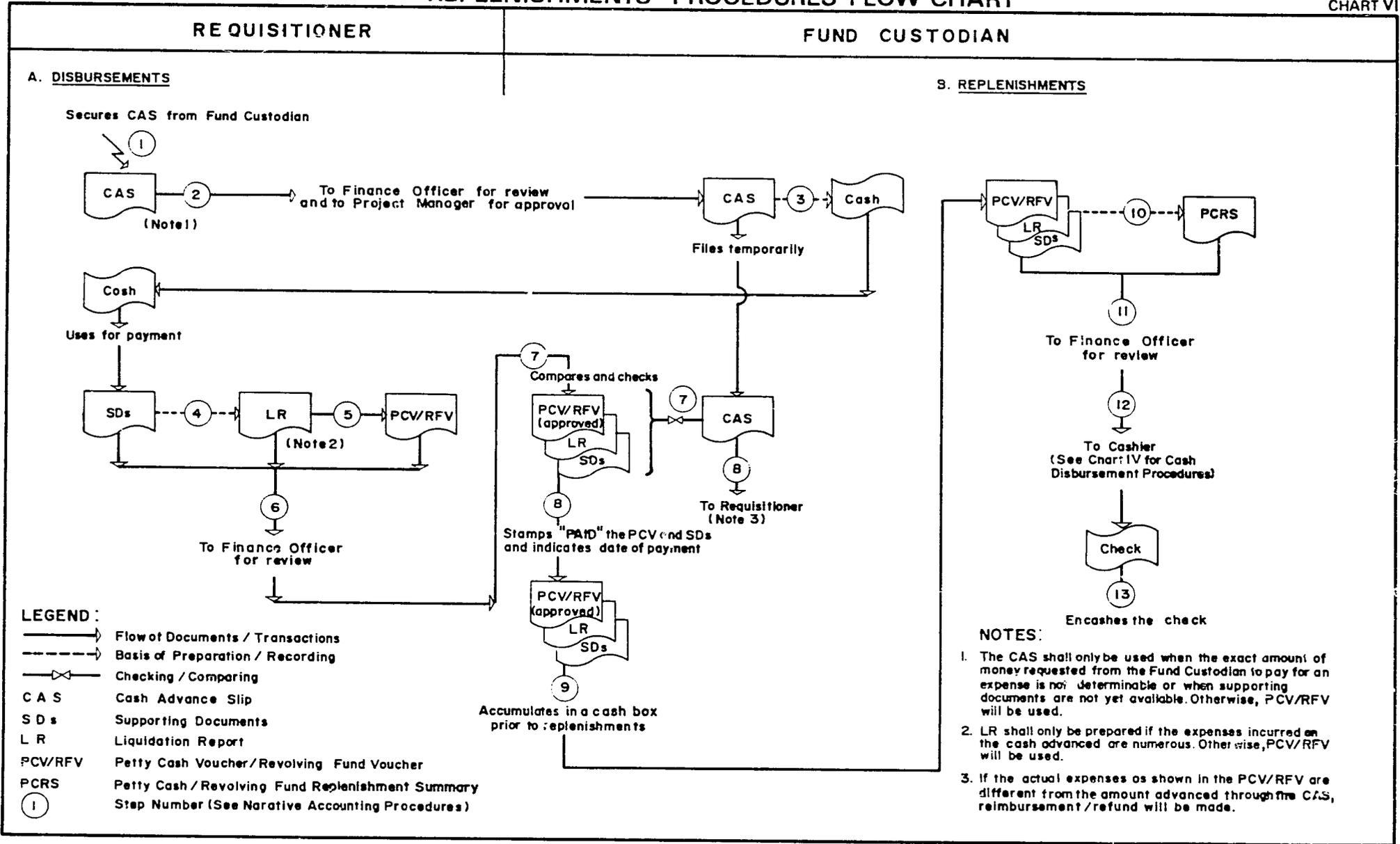
DR	Petty Cash/Revolving Fund	xx	
CR	Cash in Bank		xx

2. Petty Cash/Revolving Fund Replehinsment

DR	Project Expenditures	xx	
	(State account titles of the expenses)		
CR	Cash in Bank		xx

PETTY CASH AND REVOLVING FUNDS DISBURSEMENTS AND REPLENISHMENTS PROCEDURES FLOW CHART

CHART VI



PAYROLL

A. Guidelines and Internal Control Features:

1. Daily Time Record (DTR) or Weekly Accomplishment Report (WAR) should be checked and approved by the PVO Director or his/her authorized representative.
2. Original records of employment, rates and authorized deductions for each employee should be maintained by the Personnel Officer. The Bookkeeper should be notified by the Personnel Officer of any changes affecting personnel employment and salary.
3. Deductions required by government agencies such as the Social Security System and Medicare premiums, withholding income tax and other deductions should be reviewed before being deducted from each employee's pay.
4. The Finance Officer should review and compare payroll data against the personnel records on a regular basis.
5. The Employee's Earning's Record (EER), which contain pertinent data on the employee's salary rate, earnings, deductions, vacation and sick leaves, should be maintained by the Bookkeeper for ready reference in payroll checking.
6. All unclaimed wages within a period of 15 days should be deposited to the bank in accordance with the Cash Receipts flow chart. Subsequent payments for unclaimed wages must be made through checks.

B. USAID Operating and Financial Guidelines:

1. Personnel budgeted under a Grant funded by USAID will work full time on the project unless otherwise indicated. The Expenditure Report should be supported with a breakdown of the Personnel Costs with the salaries and wages set forth as separate line items for each position, the incumbents's name, full-time or part-time (i.e. one-fourth, one-half, etc.) rate of pay, and total cost claimed for the quarter. Other charges such as overtime pay, 13th month pay or salary adjustments should be shown separately.
2. Consultant's fees must be set forth as a separate line item with the type of consultancy services, the consultant's name, period of time employed, rate of pay (i. e. hourly, daily, weekly, monthly, etc.) and total cost claimed for the period. Consultant is an expert or professional hired by the PVO for temporary technical service.
3. Personnel structure of the project cannot be changed unless otherwise approved in writing by the Grant Officer.
4. Minimum documentations required on file:
 - a. Duly approved Daily Time Record for office staff;
 - b. Duly approved Weekly Accomplishment Report for field staff;
 - c. Approved Payroll Sheet duly signed by individual employees acknowledging receipt of pay.

C. Possible Results for Non-Compliance:

1. The rates wages and salaries are paid may not be the duly approved ones.
2. Payments of salaries to "ghost" and absentee employees.
3. Deductions required by government agencies may be ignored resulting to payment of penalty.

D. Narrative Accounting Procedures: (Chart VII)

<u>Step No.</u>	<u>Responsible Personnel</u>	<u>P r o c e d u r e s</u>
1	Accountant	<ul style="list-style-type: none">- Based on the approved DTR (Exhibit 27) and WAR (Exhibit 28) submitted by the Office Staff and Field Staff, respectively, prepares Payroll Sheet (PS, Exhibit 29)- Submits PS, DTR and WAR to the Finance Officer (FO) for review and to the PVO Director for approval
2	FO	<ul style="list-style-type: none">- Reviews PS, DTR and WAR- Signs PS to evidence review and approval
3	FO	<ul style="list-style-type: none">- Instructs the Cashier to prepare check (see Cash Disbursements Procedures)
4	Accountant	<ul style="list-style-type: none">- Enters the details of each employee's salary in the EER (Exhibit 14)
5	Cashier	<ul style="list-style-type: none">- Encashes the check
6	Cashier	<ul style="list-style-type: none">- Places the Cash in the individual pay envelope of the employees
7	Cashier	<ul style="list-style-type: none">- Pays the salaries and asks each employee to sign the PS to acknowledge receipt of pay

NOTE: Steps 5 to 7 will be revised if employees are paid through checks.

E. Illustrative Journal Entries

1. Payroll

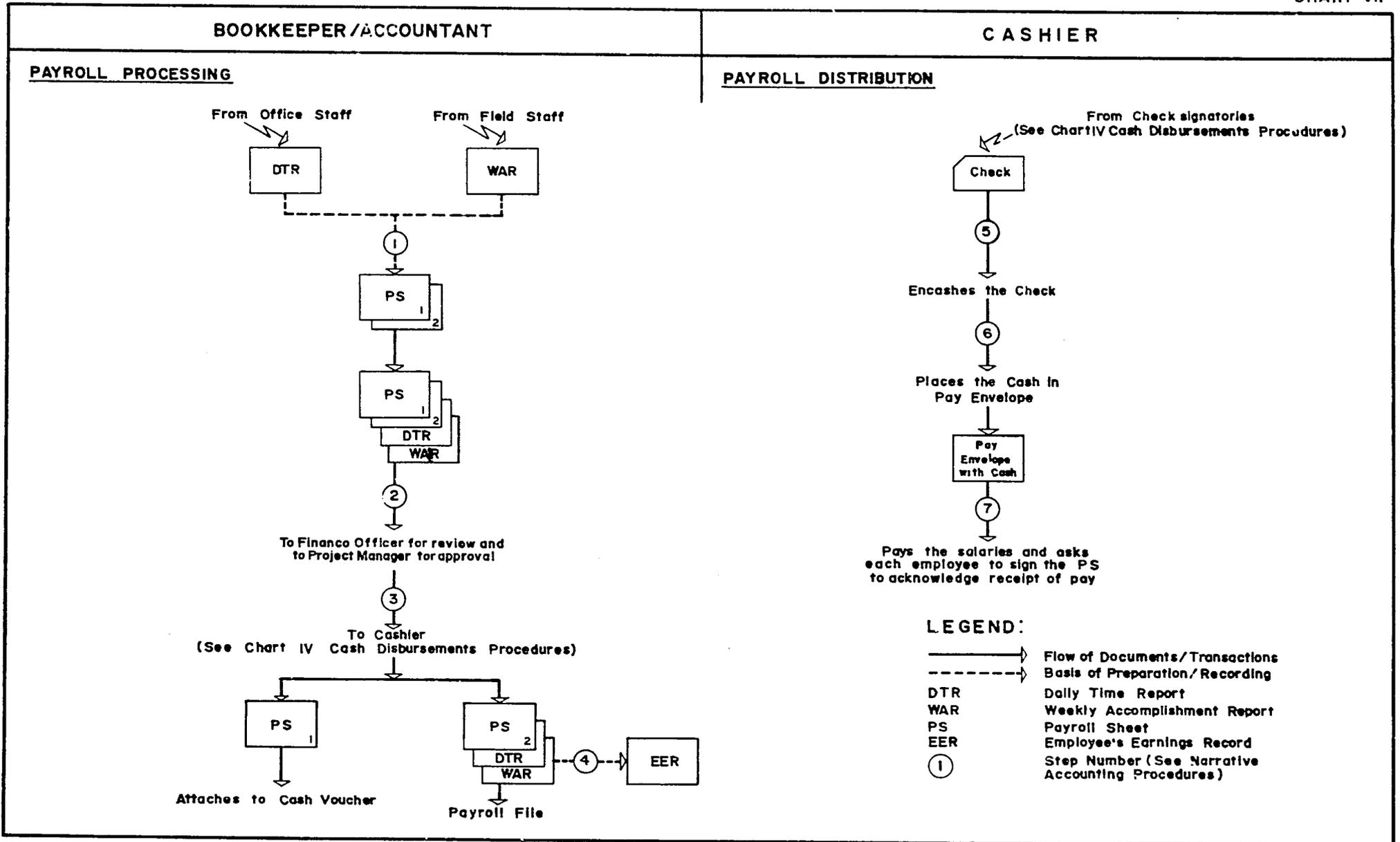
DR	Personnel Cost	XX	
CR	Cash in Bank		XX
CR	Withholding Tax Payable		XX
CR	SSS and Medicare Premiums Payable		XX

2. Payment of employees, Withholding Tax and SSS and Medicare Premiums Payable

DR	Withholding Tax Payable	XX	
DR	SSS and Medicare Premiums Payable	XX	
CR	Cash in Bank		XX

PAYROLL PROCEDURES FLOW CHART

CHART VII



GRANTING OF LOANS

A. Guidelines and Internal Control Features:

1. Loan evaluation reports should be signed by the person responsible for evaluating feasibility studies or enterprise plan presented by the borrowers.
2. All loans must be covered by a Promissory Note (PN) and/or Memorandum of Agreement (MOA) approved by authorized PVO officers.
3. PNs must be prenumbered. PNs issued should be recorded in a PN Register (PNR) in numerical sequence.
4. Checks for loan releases should be made payable to the borrower/s.
5. Loan application documents should be carefully reviewed and investigated by responsible PVO officers before these are forwarded to authorized approving officers.
6. All executed PNs should be notarized.
7. An individual loan folder should be maintained for each borrower. All pertinent documents/communications on the loan should be filed in the loan folder.
8. Individual loan subsidiary ledger for each borrower must be maintained. All transactions affecting the borrower's loan account should be recorded in this subsidiary ledger. The subsidiary ledgers must be updated monthly.

B. USAID Operating and Financial Guidelines:

1. Loan programs funded with USAID funds should consider the following:
 - a. The AID policy objective that interest rates for private borrowers be not less than the prevailing bank interest rates or a rate which approximates the opportunity cost of capital in the country.
 - b. While the guidelines recognize the need for some flexibility under approximate circumstances, at a minimum, the interest rate for ultimate borrowers must be significantly positive in real terms, i.e., when adjusted for inflation.
 - c. For financial intermediaries such as credit cooperatives, AID's primary role should be to create and to support a system that effectively mobilizes and allocates private indigenous financial resources. Financial institutions should set interest rates for loans and deposits high enough to encourage savings mobilization and to cover the costs associated with lending. Rates of interest should reflect a spread between deposit and lending interest rates sufficient to make financial institutions self-sustaining and to eliminate the need for subsidies and further funding.
 - d. For non-financial intermediaries, the interest rate to ultimate borrowers should cover all costs to the intermediary institution associated with the lending programs including the opportunity costs of funds received through USAID. The interest rate should enable the institutions' lending programs to continue on a self-sustaining basis.
 - e. Loans from intermediaries to ultimate borrowers should be made only for activities which directly generate income. Activities which are not, on their own, expected to generate income or revenue, or effect cost savings generally, should not be financed by credit.

- f. Income generation activities which are determined to be experimental in nature and for which income potential is uncertain, may still be funded through a credit intermediary project. However, to ensure sustainability of the credit fund, the project may have to include special provisions for the risk involved, such as reserves for losses.
 - g. For projects where the credit mechanism is used primarily to encourage financial prudence on the part of the recipient (e.g. intra-govt. lending to finance local govt. infrastructure), the minimum interest rate may be brought down to, but should not be lower than, the cost of funds, including opportunity costs.
- 2. The totals of the individual loan subsidiary ledgers should be reconciled with the balance of the control account in the general ledger at the end of every the month.
 - 3. Minimum loan documentations required:
 - a. Approved Loan Fund Usage and/or Feasibility Study;
 - b. Loan Application,
 - c. Promissory Note and/or Memorandum of Agreement,
 - e. Schedule of Repayment;
 - f. Individual Loan Subsidiary Ledger; and
 - g. Individual Loan Folder.

C. Possible Result for Non-Compliance:

- 1. Loan disbursements may be misappropriated.
- 2. Loans may be released to unauthorized or fictitious persons.
- 3. Loan releases may be duplicated.
- 4. Recording errors may remain undetected.

D. Narrative Lending Procedures: (Chart VIII)

Step No.	Responsible Personnel	<u>P r o c e d u r e s</u>
1	Project Officer (PO)	<ul style="list-style-type: none">- Assists Project Proponent (PP) in filling-up the Loan Application Form (LAF, Exhibit 30) and ensures that the PP fully understood the mechanics and objectives of the loan program- Assists PP in the preparation of project Feasibility Study (FS)
2	PO	<ul style="list-style-type: none">- Evaluates FS presented by PP and prepares Loan Recommendation Report (LRR, Exhibit 31)- Submits LRR, LAF-1 and FS-1 to the Loan Committee for approval- Files LAF-2 and FS-2 chronologically
3	Loan Approving Committee (LAC)	<ul style="list-style-type: none">- Reviews feasibility of the project- For approved loans, advises the Finance Officer to process the loan application of the PP- Forwards LRR, FS-1 and LAF-1 to the Finance Officer
4	Finance Officer (FO)	<ul style="list-style-type: none">- Prepares Memorandum of Agreement (MOA, Exhibit 32 in duplicate and Promissory Note (PN, Exhibit 33) in triplicate- Ensures that loan documentation is complete
<p>Note: For rejected loan applications, the Loan Committee shall indicate in the LRR the reason/s for disapproval.</p>		
5	FO	<ul style="list-style-type: none">- Presents PN and MOA to PP for signature- Submits signed PN and MOA to the Loan Committee for signature- Gives copy of PN and MOA to the PP

<u>Step No.</u>	<u>Responsible Personnel</u>	<u>P r o c e d u r e s</u>
-----------------	------------------------------	----------------------------

Note: All signed PNs must be recorded in the PN Register (PNR, Exhibit 34).

- | | | |
|---|---------|--|
| 6 | FO | <ul style="list-style-type: none"> - Prepares Credit Advice (CrA, Exhibit 35) and Loan Release Schedule (LRS, Exhibit 36) - Distributes PN, MOA, CrA and LRS as follows: <ul style="list-style-type: none"> PN-1, MOA-1, and CrA/LRS-1 to File PN-2, and CrA/LRS-2 to Cashier (to be attached to the Cash Voucher). |
| 7 | Cashier | <ul style="list-style-type: none"> - Compares PN-2 and CrA/LRS-2 against approved LRR-2 - Processes cash payments of loan releases. (see Cash Disbursements Procedures). |

E. Illustrative Journal Entries

1. Granting of Loans to Beneficiaries

DR	Capital Loan Program	xx	
CR	Cash in Bank		xx

PURCHASES

A. Guidelines and Internal Control Features:

1. All purchases, other than those through the Petty Cash Fund, should be supported with a Purchase Requisition (PR).
2. Supplier selection procedures should be followed, whenever practicable, to ensure that goods of satisfactory quality are acquired at reasonable price and term of payment.
3. The PR and the bid of the selected supplier should be the basis for preparing the Purchase Order (PO). The PR and PO should be prenumbered.
4. Purchases should be made with the following guidelines:
 - a. Quantities and specifications ordered should correspond to the quantities and specifications invoiced and received;
 - b. Goods of satisfactory quality are acquired at a reasonable price; and
 - c. All goods being paid for have been duly accepted in good order.
5. Payments to suppliers should be properly approved and must be made by check in the name of the suppliers.
6. Purchases must be in accordance with approved budget in the grant agreement and approved by authorized officer.

B. USAID Operating and Financial Guidelines:

1. Unless otherwise approved by the Grant Officer, NO USAID funds can be used to purchase items or commodities made by, or services

provided by countries ineligible to receive U.S. assistance under the Foreign Assistance Act of 1961, as amended.

- 2 Under no circumstances shall the PVO procure any of the following items with USAID funds:
 - a. Military and surveillance equipment;
 - b. Commodities and services for support of police or other law enforcement activities;
 - c. Abortion equipment and services;
 - d. Luxury goods and gambling equipment; and
 - e. Weather modification equipment.

3. Agreements Involving Construction
 - a. A recipient shall follow its own requirements relating to bid guarantees, performance bonds, and payment bonds unless the construction contract (held by the contractor under the prime agreement) exceeds \$100,000.

 - b. For construction or facility improvement contracts (held by contractors under the prime agreement) that exceed \$100,000, the recipient's bonding policy must provide for:
 - A bid guarantee from each bidder equivalent to five percent of the bid price. The bid guarantee shall consist of a firm commitment such as a bid bond, certified check, or other negotiable instrument accompanying a bid as assurance that the bidder will, upon acceptance of the bid, execute such contractual documents as may be required within the time specified.

 - A performance bond on the part of the contractor for 100 percent of the contract price. A performance bond is one

executed in connection with a contract to secure fulfillment of all the contractor's obligations under such contract.

- A payment bond on the part of the contractor for 100 percent of the contract price. A payment bond is one executed in connection with a contract to assure payment as required by law of all persons supplying labor and material in the execution of the work provided for in the contract.

- c. The USAID Grant Officer may (1) accept the recipient's bonding policy provided a determination has been made by the Policy, Planning, and Evaluation Staff (M/SER/PPE) that AID's interest is adequately protected; or (2) accept the recipient's bonding policy that has been approved by any other Federal sponsoring agency, provided, that the Federal sponsoring agency states in writing that the recipient's policy meets the minimum requirements set forth in Item b.

4. Minimum documentations required on file:

- a. Approved Purchase Requisition;
- b. Canvass sheet from three (3) suppliers for purchases of more than P2,000.00 and quotation or bidding from at least three (3) suppliers for purchases of P10,000 or more;
- d. Approved Purchase Order (PO);
- e. PVO Receiving Report and Delivery Receipt of supplier; and
- g. Sales Invoice of supplier.
- h. For construction projects contracted to another party, the following documents must be on file:
 - Notarized Contract between the PVO and the Contractor;
 - Bids or quotations from all bidders; and
 - Applicable bonds discussed in No.3

C. Possible Results for Non-Compliance:

1. Unnecessary items may be ordered/purchased.
2. Selected suppliers may be disadvantageous to the project.
3. Damaged goods may be accepted.
4. The quantities and specifications of the goods invoiced and received may differ from the quantities and specifications ordered

D. Narrative Accounting Procedures: (Chart IX)

<u>Step No.</u>	<u>Responsible Personnel</u>	<u>P r o c e d u r e s</u>
1	Requisitioner - Storekeeper (R/S)	- Completes Purchase Requisition (PR, Exhibit 37) based on requirements and submits it to the authorized officer for approval
2	Authorized Officer (CO)	- Determines whether an invitation to bid is necessary (If needed, see Supplier Selection Procedures) - Approves PR
3	AO	- Forwards PR-1 to the Finance Officer for Purchase Order (PO, Exhibit 38) preparation and PR-2 to the Requisitioner/Storekeeper
4	Finance Officer (FO)	- On the basis of the supplier selection procedures evidenced by the Canvass Report (CR, Exhibit 39) prepares a PO addressed to the selected supplier - Attaches PR-1 and CR to PO

<u>Step No.</u>	<u>Responsible Personnel</u>	<u>P r o c e d u r e s</u>
5	FO	<ul style="list-style-type: none"> - Forwards the PO to the PVO Director for approval - Distributes the approved PO to the following: <ul style="list-style-type: none"> PO-1 to Supplier PO-2, PR-1 and CR to Accountant PO-3 to Requisitioner/Storekeeper PO-4 to File
6	R/S	<ul style="list-style-type: none"> - Inspects and counts the items/goods before acknowledging receipt - Compares PO-3 and PR-2 with the Supplier's Delivery Receipt (SDR) and items/goods received - Signs on the SDR to acknowledge receipt of the items delivered and to evidence checking against PO - Returns the original SDR to supplier
7	R/S	<ul style="list-style-type: none"> - Prepares a Receiving Report (RR, Exhibit 40) following the delivery of the goods - Distributes: <ul style="list-style-type: none"> RR-1 and SDR to Accountant RR-2 to Finance Officer RR-3 to File
8	R/S	<ul style="list-style-type: none"> - Enters RR-3 in the Bin Card (BC, Exhibit 41)
9	Accountant	<ul style="list-style-type: none"> - Compares RR-1 and SDR with PO-2 and ensures Storekeeper has carried out the checking
10	Accountant	<ul style="list-style-type: none"> - Receives Supplier's Sales Invoice (SSI) - Compares SSI with RR-1 and PO-2 - Stamps "APPROVED" and signs on the SSI

<u>Step No.</u>	<u>Responsible Personnel</u>	<u>Procedures</u>
11	Accountant	- For cash purchases, forwards RR-1, SDR, SSI, PO-2, PR-1 and CR to Cashier for payment processing (see Cash Disbursements Procedures)
12	Accountant	- For purchases on account, prepares Journal Voucher (JV, Exhibit 6) to record the liability
13	Accountant	- Posts JV to the General Ledger (GL, Exhibit 7) and to the related Accounts Payable Subsidiary Ledger (AP/SL, Exhibit 13).

E. Narrative Accounting Procedures:
Supplier Selection (Chart X)

<u>Step No.</u>	<u>Responsible Personnel</u>	<u>Procedures</u>
1	PVO Director	- Determines minimum of three suppliers to be invited for bidding
2	PVO Director	- Instructs the Authorized Officer to request for supplier's quotations
3	Authorized Officer (AO)	- Prepares Request for Quotation (RQ, Exhibit 42) for three suppliers
4	AO	- Forwards RQ to the PVO Director
5	PVO Director	- Receives, reviews and signs RQ - Returns RQ to the AO
6	AO	- Receives, registers and mails RQ-1 - Files RQ-2

<u>Step No.</u>	<u>Responsible Personnel</u>	<u>Procedures</u>
7	AO	<ul style="list-style-type: none"> - Receives Supplier's Quotations (SQs)/Price List and Catalog - Prepares Canvass Report (CR, Exhibit 39)
8	AO	<ul style="list-style-type: none"> - Forwards CR, together with the SQs, to the PVO Director
9	PVO Director	<ul style="list-style-type: none"> - Receives CR and SQs
10	PVO Director	<ul style="list-style-type: none"> - Analyzes CR and SQs as to: prices, other related costs, terms of delivery and payment, discount benefit, and past performance - Notes down the result of analysis in the CR
11	PVO Director	<ul style="list-style-type: none"> - Selects the supplier to commit the organization funds on goods and services at the lowest possible cost, consistent with the specification and quality required
12	PVO Director	<ul style="list-style-type: none"> - Notes down the decisions on CR
13	AO	<ul style="list-style-type: none"> - Makes two copies of SQs and distributes CR and SQ as follows: <ul style="list-style-type: none"> CR-1 and SQ to Finance Officer CR-2 and SQ to File

Note: See Purchases Procedures No. 4 - 15. Attaches SQs not selected to CR-2.

E. Illustrative Journal Entries

1. Purchases of Equipment and Commodities

a. Cash Basis

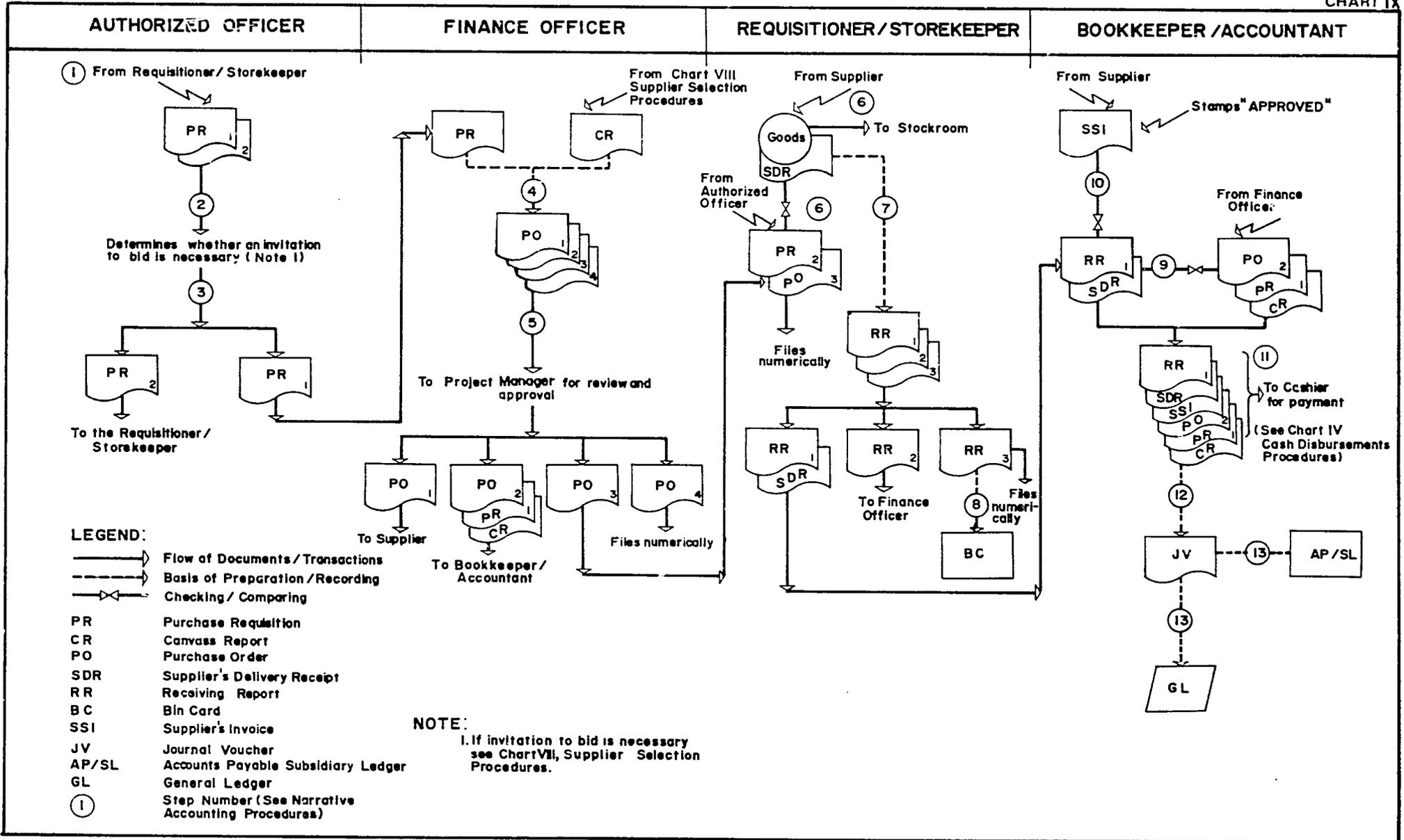
DR	Equipment and Commodities	xx	
CR	Cash in Bank		xx

b. On Account

DR	Equipment and Commodities	xx	
CR	Accounts Payable		xx

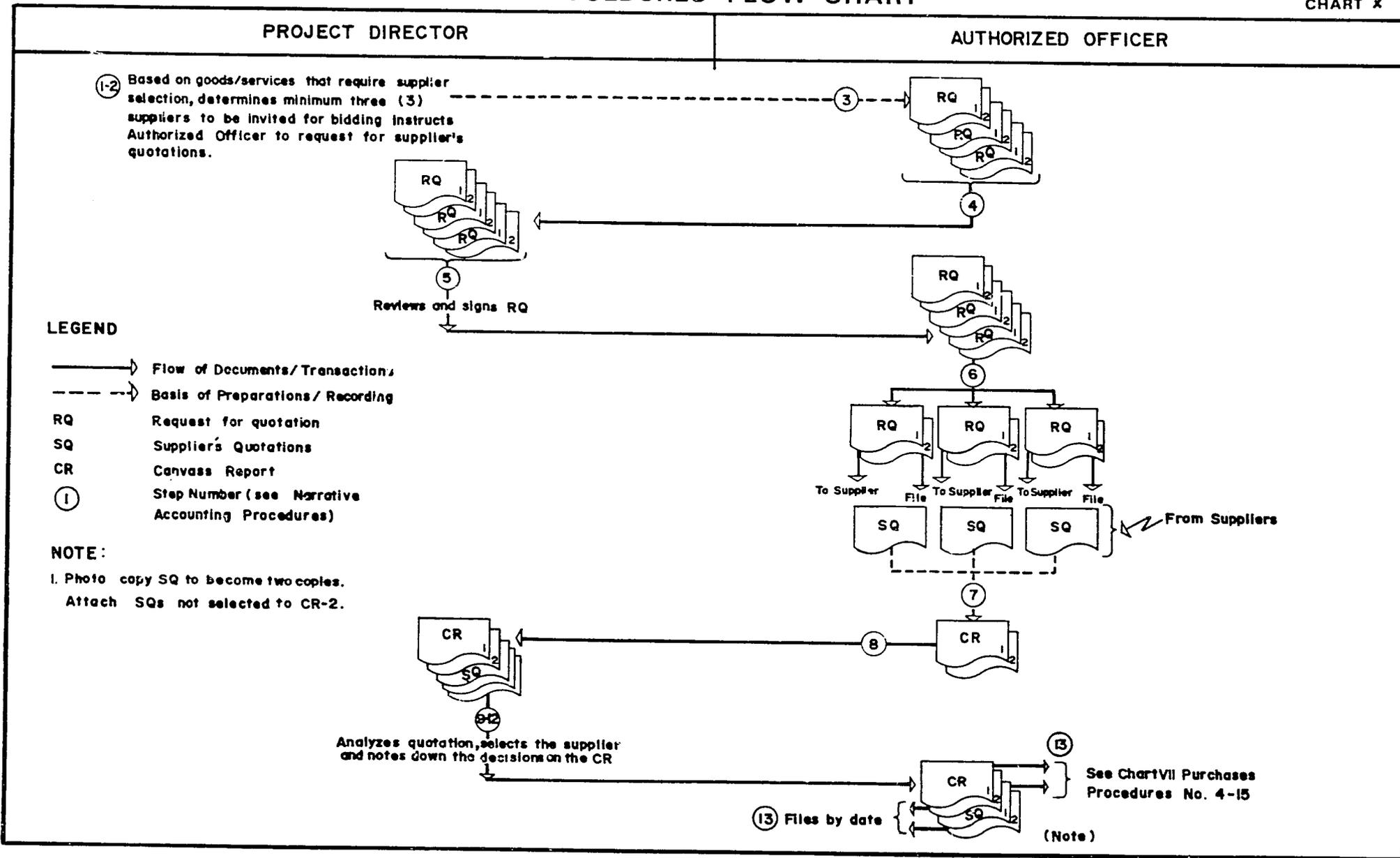
PURCHASES PROCEDURES FLOW CHART

CHART IX



SUPPLIER SELECTION PROCEDURES FLOW CHART

CHART X

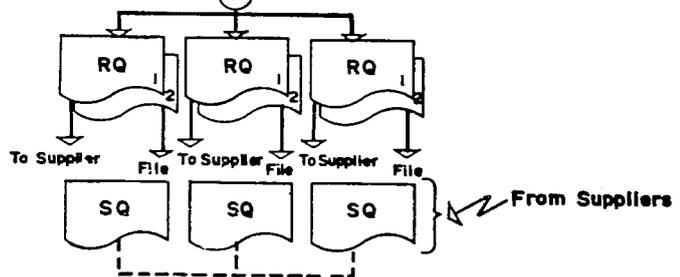


LEGEND

- > Flow of Documents/Transactions
- - - - -> Basis of Preparations/Recording
- RQ Request for quotation
- SQ Suppliers Quotations
- CR Canvass Report
- ① Step Number (see Narrative Accounting Procedures)

NOTE:

- 1. Photo copy SQ to become two copies.
- Attach SQs not selected to CR-2.



Analyzes quotation, selects the supplier and notes down the decisions on the CR

(13) Files by date

(Note)

CASH ADVANCES AND LIQUIDATION

A. Guidelines and Internal Control Features:

1. The authority to issue Cash Advance Slip (CAS) and Travel Order and Request for Cash Advance (TORCA) should be restricted to the Project Director or his designated representative.
2. All TORCA/CAS should be reviewed for availability of funds, prior to the approval by the PVO Director.
3. The Liquidation Report, the Travel Expenses Liquidation Report, and all supporting documents should be stamped "PAID" with the date of payment indicated thereon to prevent unauthorized usage thereof.
4. Cash advances should be liquidated within five (5) days after the completion date of the activity for which the advance is made.
5. Cash advances intended for personal purposes of the officers and staff of the organization are not allowed.

B. USAID Operating and Financial Guidelines:

1. Cash advances shall be made only for expenses that are included in the budget approved by USAID.
2. No new cash advance shall be given to a person with unliquidated cash advances.
3. Transportation costs of P50 or below do not require submission of supporting documents (e.g. bus ticket).
4. Minimum documentations required on file:
 - a. Approved CAS or TORCA;
 - b. Liquidation Report or Travel Expense Liquidation Report properly supported with plane tickets, invoices, official receipts, etc.

C. Possible Results for Non-Compliance:

1. Cash advances may be used for items not authorized by the PVO Director.
2. Double payment of some transactions.
3. Long unliquidated cash advances.

D. Narrative Accounting Procedures: (Chart XI)

<u>Step No.</u>	<u>Responsible Personnel</u>	<u>Procedures</u>
1	Requisitioner	<ul style="list-style-type: none">- For travel advances, secures Travel Order and Request for Cash Advance (TORCA, Exhibit 43) (For purposes other than travel, uses the Cash Advance Slip (CAS, Exhibit 23)- Completes the form properly and indicates the date, amount needed and purpose of the cash advance- Presents TORCA/CAS to the Finance Officer for review and to the PVO Director for approval
2	Fin. Officer	<ul style="list-style-type: none">- Checks TORCA/CAS against the approved budget- Signs TORCA/CAS to evidence review/ approval
3	Fin. Officer	<ul style="list-style-type: none">- Forwards TORCA/CAS to the Cashier and gives instruction to prepare check for payment
4	Cashier	<ul style="list-style-type: none">- Prepares check (see Cash Disbursements Procedures)- Files TORCA/CAS temporarily and issues check to the Requisitioner

<u>Step No.</u>	<u>Responsible Personnel</u>	<u>P r o c e d u r e s</u>
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5 Requisitioner - After spending the money, and with the available supporting documents (SDs), prepares Travel Expenses Liquidation Report (TELR, Exhibit 44) for travel cash advance or Liquidation Report (LR, Exhibit 25) for others, to determine the amount due from or refundable

6 Requisitioner - Presents TELR/LR, together with the SDs, to the Finance Officer for review and to PVO Director for approval
 - After approval, presents all the documents to the Cashier

7 Cashier - Compares TELR/LR and SDs against the TORCA/ CAS on file to determine the amount due from or refundable to the Requisitioner

Note: If the actual expenses shown in the TELR/LR vary from the amount advanced, reimbursement/refund will be made.

8 Cashier, - After the reimbursement has been made to the Requisitioner, stamps "PAID" in ink the TELR/LR, SDs, and TORCA/CAS and indicates thereon the date of payment (TORCA/CAS should be attached to the TELR/LR as part of SDs)

9 Cashier - Forwards TELR/LR and SDs to the Accountant for Journal Voucher (JV, Exhibit 6) preparation

10 Accountant - Posts JV to the General Ledger (GL, Exhibit 7) and files the JV, together with TELR/LR and SDs, numerically.

E. Illustrative Journal Entries

1. Cash Advances to Officers and Employees
for project disbursements

DR	Advances to Officers and Employees	xx	
CR	Cash in Bank		xx

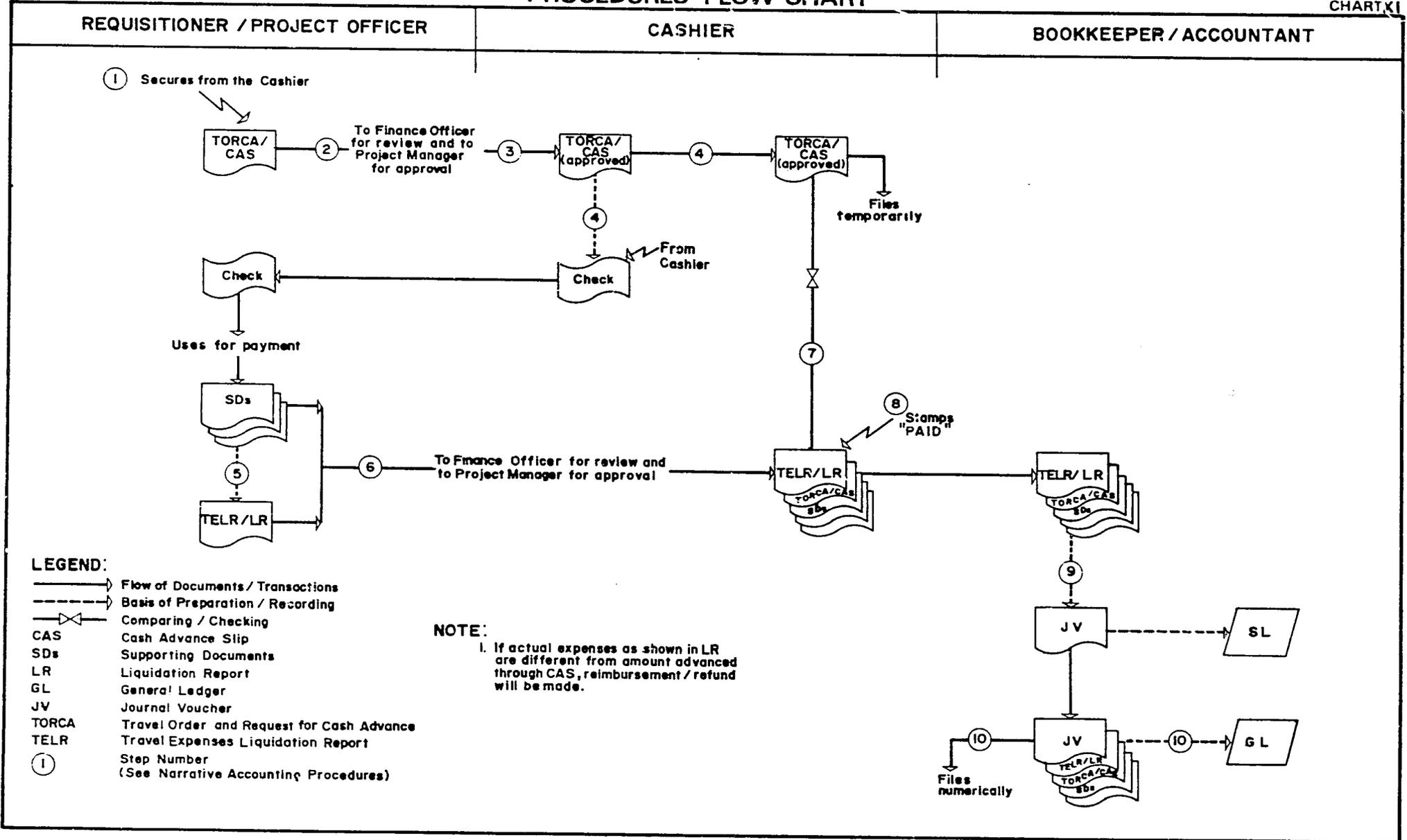
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2. Liquidation of Cash Advances

DR	Project Expenditures	xx	
	(State account titles of the expenses)		
CR	Advances to Officers and Employees		xx

CASH ADVANCES AND LIQUIDATION PROCEDURES FLOW CHART

CHART.K1



TRAINING

A. Guidelines And Internal Control Features

1. Training budgets should be based on approved training programs of the PVO, for both internal and donor-funded training.
2. Selection of participants, resource speakers, and other contractors should be based on guidelines approved by the PVO Director.
3. Training budget should be reviewed and approved by the PVO Director.
4. Participants should sign a Daily Training Attendance Sheet as proof of participation in the training.
5. If participants' transportation costs are paid out of USAID funds, a photo copy of airline or other ticket is required to support payment.
6. Minimum documentations required on file:
 - a. Training Budget approved by the PVO Director.
 - b. Contracts with trainers and training venue provider.
 - c. Daily Training Attendance Sheet (DTAS, Exhibit 45), signed by the participants in the training.

B. Possible Results for Non-Compliance

1. Fictitious participants being paid out of training funds.
2. Training expenses may be disallowed by USAID.

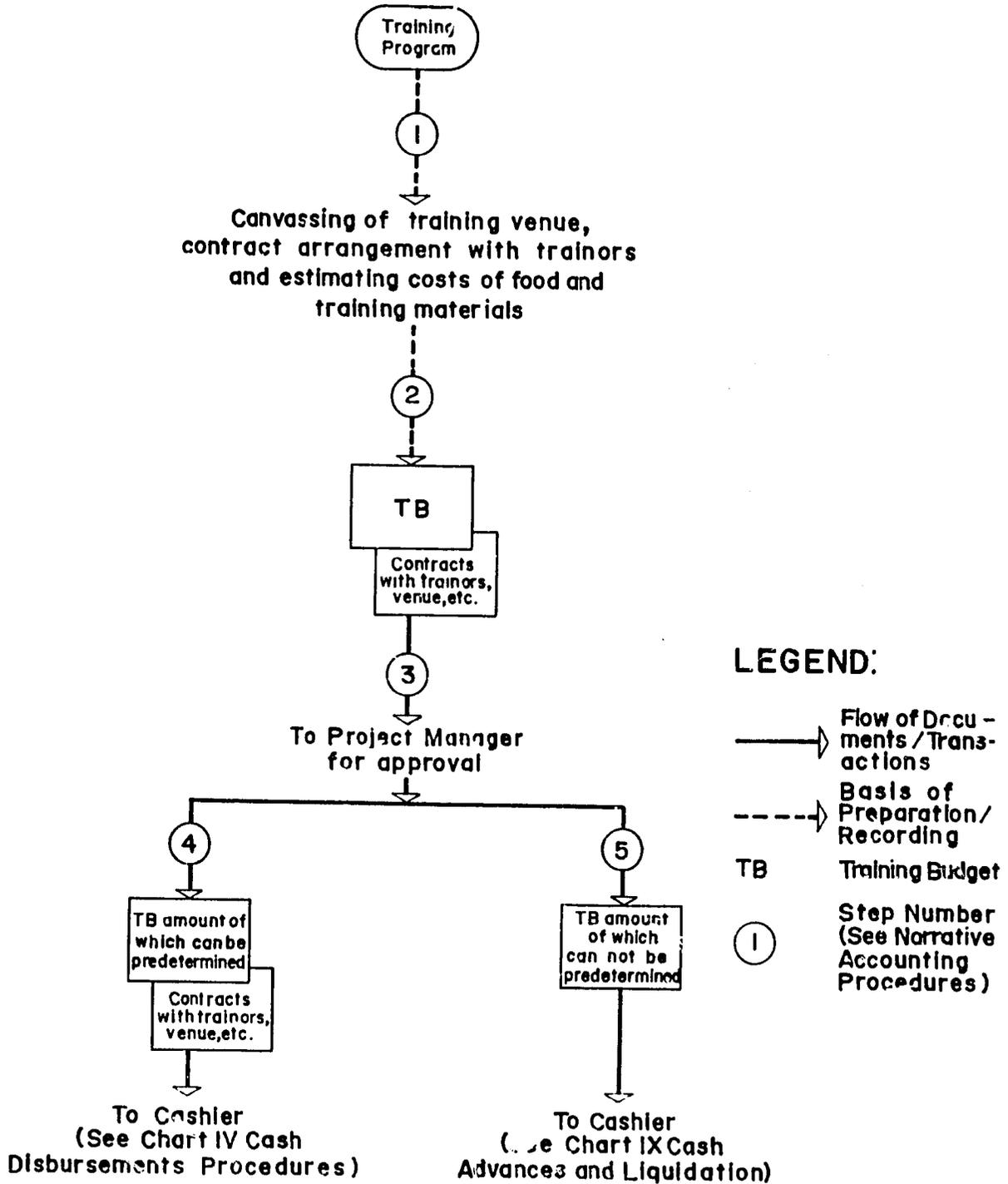
C. Narrative Accounting Procedures: (Chart XII)

<u>Step No.</u>	<u>Responsible Personnel</u>	<u>Procedures</u>
1	Training Officer (TO)	- Based on the approved training program, solicits bids for training venue, arranges contract with trainers, and estimates costs of food and training materials.
2	TO	- Prepares overall Training Budget (TB) and readies the proforma contracts with trainers and venue owner and other supports - Forwards TB and supports to the PVO Director for review and approval
3	PVO Director	- Reviews TB and supports and signs TB to evidence approval - Returns TB and supports to the TO
4	TO	- For budget where exact amount of disbursement can be determined, forwards approved TB, contracts and other supports to the Cashier for check preparation (See Cash Disbursements Procedures)
5	TO	- For budget where exact amount can not be determined, uses approved TB as basis for cash advances (See Cash Advances and Liquidation Procedures)

TRAINING PROCEDURES FLOW CHART

CHART XII

TRAINING OFFICER



LEGEND:

- Flow of Documents / Transactions
- - - → Basis of Preparation / Recording
- TB Training Budget
- ① Step Number (See Narrative Accounting Procedures)

**MATERIALS/SUPPLIES
REQUISITION, ISSUANCES & RETURNS**

A. Guidelines and Internal Control Features

1. Adequate storage space, enclosed and well-protected, should be provided and manned by a qualified Storekeeper. Access to the storage areas should be limited to authorized personnel.
2. Requisitioning of materials and supplies must be done through an approved Requisition and Issue Slip.
3. Stock Cards should be maintained to record receipts, issuances and returns of high-value items.
4. Physical count of high-value items should be conducted regularly by persons other than the storekeeper. Results of the physical count should be reconciled with the balances in the stock card. The count will identify slow moving, damaged, or obsolete items which may be resold at scrap value.
5. Inventory reports should be prepared quarterly by the Storekeeper.
6. Minimum documentations required on file:
 - a. Approved Requisition and Issue Slip;
 - b. Materials Return Slip; and
 - c. Reports on physical count of inventory.

B. Possible Results for Non-Compliance

1. High-value materials may be damaged or lost on-site.
2. Unauthorized issuances/usages of materials and supplies.
3. Unreported loss of materials.
4. Recording errors will remain undetected.

C. Narrative Accounting Procedures:
Materials/Supplies Requisition and Issuances (Chart XIII)

<u>Step No.</u>	<u>Responsible Personnel</u>	<u>P r o c e d u r e s</u>
1	Requisitioner	- Based on requirements, fills-up a Requisition and Issue Slip (RIS, Exhibit 46) and presents the same to the authorized officer for approval
2	Requisitioner	- After approval, presents RIS to the Storekeeper as basis for the release of the requisitioned item/s
3	Storekeeper	- Numbers the RIS - Releases the requisitioned item/s based on the RIS and asks the Requisitioner to sign RIS to acknowledge receipt thereof - Indicates in RIS that the item/s have been released
4	Storekeeper	- Posts RIS in the Bin Card (BC, Exhibit 41) daily and files RIS numerically
5	Accountant	- At the end of the month, prepares a Summary of Materials Issued and Returned (SMIR, Exhibit 47) in duplicate - Forwards SMIR-1, together with the RIS, to the Accountant and keeps SMIR-2

<u>Step No.</u>	<u>Responsible Personnel</u>	<u>Procedures</u>
6	Accountant	<ul style="list-style-type: none"> - Receives SMIR-1 and RIS from Storekeeper - Compares the documents - Prepares a Journal Voucher (JV, Exhibit 6) to record the consumption and returns of materials and supplies.
7	Accountant	<ul style="list-style-type: none"> - Post JV to the General Ledger (GL, Exhibit 7) and to pertinent Stock Cards (SC, Exhibit 11) - Files the JV, together with SMIR-1 and RIS, numerically

D. Narrative Accounting Procedures:
Materials/Supplies Returns (Chart XIV)

1	Requisitioner	<ul style="list-style-type: none"> - Based on items to be returned, obtains and completes Materials Return Slip (MRS, Exhibit 48) - Presents MRS to authorized officer for approval
2	Authorized Officer	<ul style="list-style-type: none"> - Inspects the items to be returned and signs MRS to evidence approval - After approval, forwards MRS and the items to be returned to the Storekeeper
3	Storekeeper	<ul style="list-style-type: none"> - Inspects the item/s to be returned, compares them with MRS and numbers and signs MRS
4	Storekeeper	<ul style="list-style-type: none"> - Posts MRS in the BC - Files MRS numerically

<u>Step No.</u>	<u>Responsible Personnel</u>	<u>Procedures</u>
5	Storekeeper	- At the end of the month, prepares SMIR - Forwards SMIR-1, together with the MRS, to the Accountant and files SMIR-2
6	Accountant	- Receives SMIR-1 and MRS from Storekeeper - Compares the documents and prepares JV to record return of materials/supplies
7	Accountant	- Posts JV to the GL and to pertinent SC - Files the JV, together with SMIR-1 and MRS, numerically

E. Illustrative Journal Entries

1. For Materials and Supplies Issuance

a. In USAID Projects Books

none

b. In the books of the General Funds

DR	Supplies Expense	XX	
CR	Supplies Inventory		XX

2. For Materials and Supplies returns

a. In USAID Projects Books

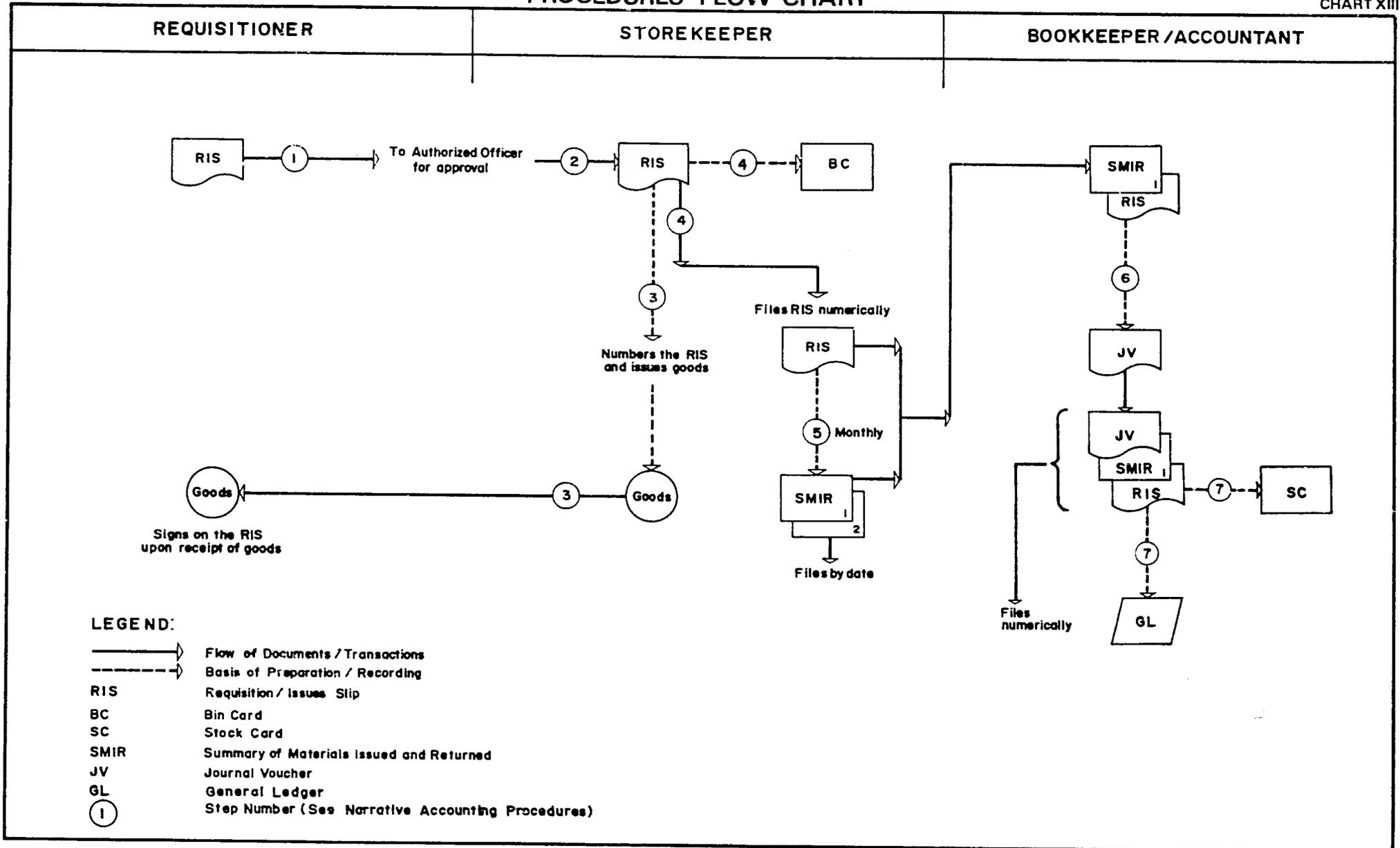
none

b. In the books of the General Funds

DR	Supplies Inventory	XX	
CR	Supplies Expense		XX

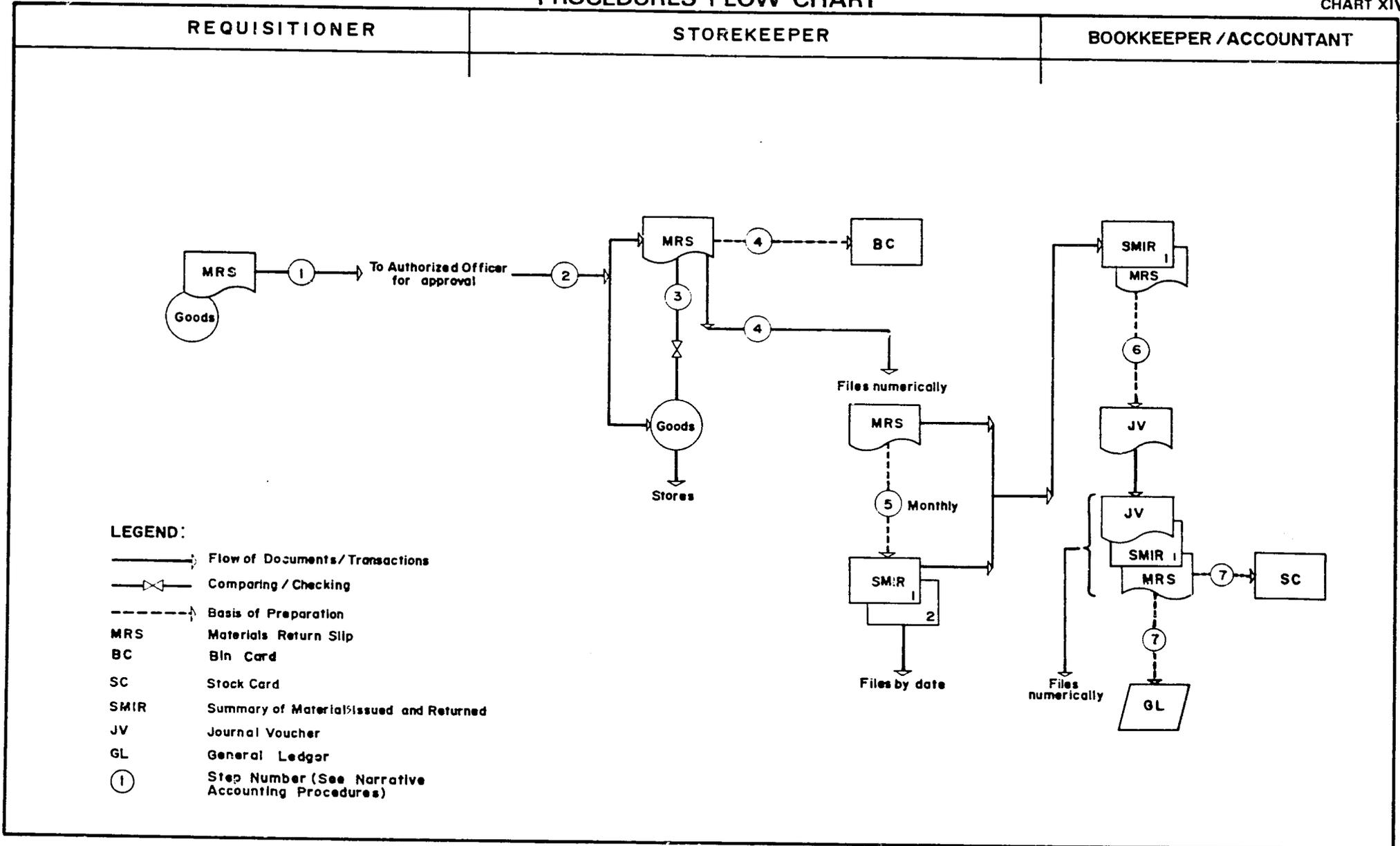
MATERIALS/SUPPLIES REQUISITION AND ISSUANCES PROCEDURES FLOW CHART

CHART XIII



MATERIALS/SUPPLIES RETURNS PROCEDURES FLOW CHART

CHART XIV



OTHER USAID GUIDELINES

A. Property and Equipment:

1. A fixed asset register should be used to record details of each asset (Exhibit 12) analyzed by project.
2. All equipment should be labelled, preferably at time of purchase. The labels can be in metal or plastic tags or by electrical engraving.
3. Equipment purchased with USAID funds should be properly labelled with the standard USAID logo. The logo can be requested from the USAID Project Officer or at O/FFPVC, USAID.
4. Equipment should not be moved without the written approval of the PVO Director or an authorized officer responsible for the physical control of the property.
5. Equipment should not be permitted to leave the office premises without a property pass signed by responsible PVO official.
6. A physical inventory should be taken of all fixed assets on a regular basis. This applies especially to movable equipment.
7. Retirement of fixed assets by sale or scrapping should require appropriate approvals by the PVO Director to guard against the irregular disposals of still usable equipment and ensure that best price is obtained on items for sale.
8. Adequate insurance coverage should be maintained for all equipment.
9. A well defined policy governing the difference between capital and outright expenditures should be established. Expenses should be reviewed to minimize the possibility of any capital expenditure being treated as an expense.

B. Revision of Grant Budget:

1. The Grant budget is the final expression of the Grantee's financial needs approved during the Grant-award process.
2. The Grantee should immediately contact the USAID Project Officer to request approval by the Grant Officer when there is reason to believe that within the next thirty (30) calendar days, a revision of the approved Grant budget will be necessary for any of the following reasons:
 - a. To change the scope or the objectives of the project.
 - b. To revise the funding allocated among the project objectives if the revision involves more than 15% of the budget. (Budget revisions involving 15% or less of the major budget line items affected do not need prior USAID approval.)
 - c. Additional funding is needed.
 - d. The Grantee expects the amount of AID authorized funds to exceed its needs by more than \$15,000.00 or five percent (5%) of the AID award, whichever is greater.
 - e. The Grantee wishes to use funds from the "other direct costs" line item.
 - f. The Grantee intends to contract or subgrant any of the work under the Grant, and such contracts or subgrants were not included in the approved Grant budget.
- G. The Grantee wishes to access dollar savings for valid grant activities.

3. Except as required by other provisions of a grant specifically stated to be an exception from this provision, the USAID shall not be obligated to reimburse the Grantee for costs incurred in excess of the total amount obligated under the Grant. The Grantee is not obligated to continue performance under the Grant (including actions under the "Termination" provision) or otherwise to incur costs in excess of the amount obligated under the Grant, unless and until the Grant Officer has notified the Grantee in writing that the obligated amount has been increased and has specified the new Grant total amount.

C. Exchange Rate Variance:

1. The Philippine peso to American dollar exchange rate to be used is specified in the Grant Agreement.
2. If the exchange rate varies so that the amount of dollars required to purchase the peso amount specified in the final peso budget is greater than the amount of dollars stated in the Grant Agreement, the dollar amount shall be the controlling limit to USAID's commitments.
3. On the other hand, if the exchange rate varies so that the amount of the dollars required to purchase the peso amount specified in the final peso budget is less than the amount of dollars stated in the Grant Agreement, the remaining dollars may be used to purchase pesos for justified peso cost increases over the peso costs provided in the original peso budget, if approved in writing by USAID, and provided that Grantee counterpart contributions are adjusted accordingly.
4. The parties may agree, in writing, to increase the dollar limitation contained in the Grant Agreement if it appears that additional dollars are needed to purchase the pesos necessary to achieve the project objectives and provided that such dollars are available to the project for this purpose.

IV. ACCOUNTING OF COUNTERPART CONTRIBUTIONS

A. Nature of Accounts and Records

PVO's Counterpart Contributions to the project are from three sources: (1) general funds of the PVO; (2) grant funds of other donors or donations by private groups; and (3) beneficiaries and other individual donors. These counterpart contributions are recorded in the general books of the PVO. For purposes of accounting for counterpart contributions in USAID-assisted project, recording shall be made in a subsidiary control record to be called "Counterpart Contribution Control Record" (CCCR, Exhibit 49). Recording must be made in chronological order, making reference to the Cash Voucher Number and Check Number of the particular disbursements.

B. Documentation Required

Entries recorded in the CCCR must be supported by documents which are separately and chronologically filed in the General Funds' file.

1. Cash Contribution - Line items or expenses paid out of the general funds or other grant funds must be supported by a photo copy of the approved Cash Voucher and the supporting documents required under USAID operating and financial guidelines described in the preceding sections. The actual amount paid for a particular counterpart contribution shall be the basis of valuation.

2. In-kind Contributions - Contributions in kind are valued at:

	<u>Valuation</u>	<u>Documentation</u>
a. Services	Time x rate paid for similar service	Statement of Donated Services (Exh. 50)
b. Equipment	<u>Depreciation</u> during the period being used for the project based on acceptable method of depreciation	Statement of Depreciation Charged on Equipment Usage (Exhibit 51)

c. Space and Land owned by the Grantee	Fair <u>rental value</u> of comparable space in locality	Statement of Space Usage (Exhibit 52)
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All supporting statements must be duly approved by an authorized officer.

C. Recording Procedures:

1. To simplify the process of recording counterpart contributions, the single-entry method shall be adopted using the Counterpart Contributions Control Record (CCCR). The CCCR is a columnar notebook with columns provided for each line item in the budget.
2. All entries in the CCCR must be supported by source documents that are filed chronologically.
3. At the end of the month, each expense column in the CCCR is totaled.
4. At the end of the quarter, the expense columns are totaled to get the quarterly totals which become the basis for reporting counterpart contributions in the Expenditure Report to USAID. Likewise, the cumulative total of each expense item from the start of the project is also totaled every quarter).

D. Financial Reports for USAID Purpose

All expenses claimed as counterpart contributions shown in the Expenditure Report (ER) submitted to USAID must be recorded in the CCCR. The balances or totals of the expense columns, as reflected in the ER must tally with the balances in the CCCR.

E. USAID Operating and Financial Guidelines

1. Limitations:

Counterpart contributions must be:

- a. Verifiable from the Grantee's records;
- b. Necessary and reasonable for proper and efficient implementation of project objectives;
- c. Charges that would be allowable and can be accounted for;
- d. Provided for in the budget approved by USAID.

An account is not considered a counterpart contribution if:

- a. Included as contributions for another USAID funded project;
- b. Paid by the U.S. Government under another Grant or Agreement;
- c. In conflict with other provisions.

2. Valuations

a. Cash Contributions:

Cash Funds - Actual value of cash fund contributed.

Service Provided by Individuals - Actual salary paid to the individual, including all benefits, multiplied by the percentage of time actually spent working on the project.

Consumables - All consumables such as per diem, office supplies, etc., are calculated at actual value.

Commodities - All new items used solely by the project are calculated at the purchase price. No depreciation is considered.

Rent, Electricity, Water, Legal and Other Service Fees - Rent and other service fees are based on the actual amount spent (usually the total bill times 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 if the service rendered is an integral and necessary part of an approved budget. The approximate value of the individual's time is based on local salaries paid for similar services multiplied by the amount of time actually spent on the project.

Commodities - Contributions can be calculated either by:

i. Using an acceptable method of depreciation, based on the original purchase price and estimated life of commodity. The depreciation accumulated during the Grant period becomes the contribution; or

ii. The approximate local value of similar commodities, if rented locally, can be considered the value of the contribution (for new items purchased solely for the project's use, the treatment of the contribution is described in the preceding discussions).

Use of Space and Land - The value of donated space for office use and meetings shall not exceed the fair rental value of comparable space. The value should be established based on an independent appraisal of comparable space in a privately owned building in the same locality. If rent is actually paid for office space, it is considered a cash contribution as discussed in the preceding topic. The provision of land for agricultural projects should be calculated based on its fair market value.

V. FINANCIAL MANAGEMENT REPORTING SYSTEM

A. Basic Features:

The Financial Management Reporting System summarizes the reports to be generated and the executive level assigns the team or person responsible for their preparation. Likewise, the System identifies the source of report data, frequency of report preparation, deadline for submission, number of copies, and the recipients of each report. The System provides both the PVO management and the Grantors pertinent and timely information on the status, financial condition, and operating performance of the various projects of the organization.

B. Description of the Reports:

1. **Consolidated Statement of Assets, Liabilities and Fund Balances** (Exhibit 53) shows the financial condition of the PVO at the end of each quarter grouped into specific fund entities. It is useful in evaluating each fund's available resources, liquidity and solvency.
2. **Consolidated Statement of Revenues, Expenses and Changes in Fund Balances** (Exhibit 54) summarizes the revenues and expenses of each project. It enables management to evaluate the project's performance by comparing the actual results of operations with plans and objectives. Also included in this report is a detailed accounting of the funds' movements.
3. **Statement of Operating Expenses** (Exhibit 55) enumerates the detailed expense accounts of each fund entity.
4. **Bank Reconciliation Statement** (Exhibit 56) reconciles the month end balance shown in the bank statement with the balance of Cash in Bank in the General Ledger. This reconciliation identifies bank transactions not yet recorded either in the books or by the bank.

5. **Daily Cash Position Report** (Exhibit 57) shows the cash received, the expenses paid, and the fund balance on a weekly basis.
6. **Loan Release Report** (Exhibit 59) shows the borrowers' name and address, loan amount, purpose, and type on a monthly basis.
7. **Aging Schedule of Loans Receivable** (Exhibit 60) indicates name of borrowers, original loan amount, interest rate, terms of payment, total payments and balances due as of a certain period. The loan balance is aged into: not yet due, current, 30 days overdue, 60 days overdue, 90 days overdue, etc. This report identifies slow-moving accounts.
8. **USAID Required Reports:**
 - a) **Request for Cash Advance** (Exhibit 61) summarizes the PVO's projected cash requirements for each quarter based on the approved budget. USAID will not provide a third advance until the next-to-last cash advance has been liquidated.
 - b) **Expenditure/Liquidation Report** (Exhibit 62) reports financial status of the USAID funds and the Counterpart Contributions. It shows actual expenditures during the past quarter in accordance with approved budget line items. It must include the following information:
 - i. Salaries and wages are to be set forth as separate line items for each position, indicating the incumbent's name, whether full-time or part-time (i.e. one-fourth, one-half, etc.), rate of pay, and total cost for period claimed;
 - ii. The term Consultant's fee is to be used in appropriate cases. The fee paid to a consultant must be set forth as a separate line item with the type of consultancy service, the consultant's name, period of time employed, rate of pay (i.e. hourly, daily, weekly, monthly, etc.) and total cost for period claimed.

The Expenditure Report must be certified by the PVO authorized representative. Copies of pertinent supporting documents may be required by USAID on a case to case basis.

- c) Implementation Plan (Exhibit 63) presents the planned activities of the project for a particular period, the person responsible, time allotted and targeted completion date, budget, and the sources of funding and other resources needed to support the activities and the objectives.
- d) Progress Report (Exhibit 64) Summarizes the quarterly status of the project. Likewise, reasons for any hindrances in project implementation/ completion shall be indicated thereon.

Guidelines for Submission:

The Implementation Plan and Request for Cash Advance must be submitted to O/FFPVC not later than thirty (30) days BEFORE the start of the quarter. The Progress Report and the Expenditure Report must be submitted to O/FFPVC not later than thirty (30) days AFTER the end of the quarter:

Annual Reports are required to maintain the PVO's accreditation with the USAID PVO Co-Financing Program. These includes audited financial statements and annual budget. One copy of these reports is to be submitted to O/FFPVC EVERY YEAR, within 4 months after the end of the PVO's accounting year.

i. Audited Financial Statements consist of the Consolidated Statement of Assets, Liabilities and Fund Balances and Consolidated Statement of Revenues of Expenses and Changes in Fund Balances.

ii. Annual Budget shows the whole projected operations of the Grantee interpreted in financial terms during the ensuing year.

C. The Bank Reconciliation

One of the procedures for establishing the correct cash balance (and for controlling cash) is the reconciling of the bank and book cash balances. The reconciliation explains the difference between the balance in the company's records and the balance in the bank's records. When completed, the reconciliation should show the correct cash balance. The differences arise from three sources: items in transit, errors; and service charges.

Items in transit arise from several circumstances. The firm's account may contain a debit entry for a deposit that was not received by the bank prior to the statement date. Similarly, some of the checks credited to the ledger account will probably not have been processed by the bank prior to the bank statement date. Banks often record other decreases or increases to accounts and notify the depositor by mailed notices. Examples include deposited checks returned for nonsufficient funds (NSF) or notes collected on the depositor's behalf. Because these items are generally reported to the company prior to the bank statement date, they seldom appear on a reconciliation.

Errors can occur in both the bank's and the depositor's recordkeeping systems. The reconciliation process should discover these mistakes.

Service charges may be levied by the bank for regular or special services. They often appear as a reconciling item because banks notify customers of the amount only through the statement.

The reconciliation process. The four basic steps in the reconciliation process are:

1. Identification of items in transit. The first step involves identifying those deposits and checks that the bank had not processed at the statement date. Any other items (such as NSF checks or collected notes) on the statement should be identified.

The accountant would also look to see if prior notification had been received and the event properly recorded. If an entry has not been recorded, the item will appear on the reconciliation.

2. Identification of service charges. A notation should be made of unrecorded service charges.
3. Preparation of the reconciliation. A typical reconciliation consists of two sections: one reconciles the bank balance to the correct balance as of the desired date, while the other reconciles the book balance to the same number. The bank section lists items in transit from the depositor to the bank and bank errors. The book section lists items in transit from the bank, service charges, and depositor errors.
4. Further action. If the bank has made an error, it should be notified promptly. No entry would be made for these errors. For any reconciling items appearing in the book section, a journal entry should be recorded to adjust the cash account to the correct balance.

An Example. Upon receipt of the bank statement dated December 31, 19x1, for the checking account in the Phil. National Bank, the accountant for the PVO Company began the reconciliation process. The depositor slips and cancelled checks were compared with the records. These results were found:

1. Bank balance, 12/31/x1	P 86,179
2. Deposit in transit	44,700
3. Outstanding checks	129,478
4. Bank error (deposit understated)	10,000
5. NSF check from customer debited to account by bank (separate notification not received from bank)...	2,300
6. Service charges fro December	75
7. Error on books (check written to pay account payable recorded at P300 but written for only P30)	270
8. Balance in books	13,506

The reconciliation prepared by the accountant is as follows:

PVO COMPANY
Bank Reconciliation
(Phil. National Bank)
December 31, 19x1

Bank balance to correct balance

Balance bank statement	P 86,179
Items in transit:	
Deposit	44,700
Checks	(129,478)
Error: Understatement of deposit	10,000

Correct balance	P 11,401
	=====

Book balance to correct balance

Balance per books	13,506
Item in transit:	
Unrecorded NSF check returned	(2,300)
Error: Overstatement of check.....	270
Service charges	(75)

Correct balance.....	P 11,401
	=====

The next step would be to contact the bank and notify it of the error on the deposit. An inquiry should also be made concerning the lack of notification about the NSF check. Then, a journal entry would be made to record the reconciling of items from the book section. It would take on this form:

12/31/x1	Accounts Receivable	2,300	
	Miscellaneous Expense	75	
	Cash (Phil. National Bank)		2,103
	Accounts Payable		270

After it is posted, the balance in the Cash account for December 31 would be P11,401.

FINANCIAL MANAGEMENT REPORTING SYSTEM

CHART XV

EXHIBIT NO.	TITLE OF REPORT	SOURCE DOCUMENTS	RESPONSIBLE FOR PREPARATION	FREQUENCY	DEADLINE FOR SUBMISSION	NO. OF COPIES	RECIPIENTS
53	Consolidated Statement of Assets, Liabilities and Fund Balances	General Ledger	Bookkeeper/ Accountant	Quarterly (optional) Yearly (compulsary)	Within the first quarter of the succeeding year	6	BIR, SEC, Grantor, Board of Directors, Project Director, File
54	Consolidated Statement of Revenues, Expenses and Changes in Fund Balances	Cash Disbursements Book	Bookkeeper/ Accountant	Quarterly (optional) Yearly (compulsary)	Within the first quarter of the succeeding year	6	BIR, SEC, Grantor, Board of Directors, Project Director, File
55	Statement of Operating Expenses	Cash Disbursements Book General Ledger	Bookkeeper/ Accountant	Quarterly	Within 30 days after the end of the quarter	3	Board of Directors, Project Director, File
56	Bank Reconciliation Statement	General Ledger Bank Statement Cash Disbursements and Receipts Book	Bookkeeper/ Accountant	Monthly	Within 10 days after the end of the month	1	File
57	Daily Cash Position Report	Cash Receipts Book Cash Disbursements Book	Cashier	Daily	Every end of the day	2	Project Director, File
58	Liquidation Report of Loan Funds	Cash Receipts Book Cash Disbursements Book Journal Voucher	Bookkeeper/ Accountant	Monthly	Within 1 week after end of each month	3	Board of Directors, Project Director, File
59	Capital Loan Release Report	Cash Disbursements Book	Bookkeeper/ Accountant	Monthly	Within 1 week after end of each month	3	Board of Directors, Project Director, File
60	Aging Schedule of Loans Receivable	Loan Subsidiary Ledger	Bookkeeper/ Accountant	Quarterly	Within 5 days after the end of the quarter	3	Board of Directors, Project Director, File
61	Quarterly Request for Cash Advance	Approved Budget Plan	Bookkeeper/ Accountant	Quarterly	Within 1 month before start of quarter	3	President, Grantor, File
62	Quarterly Expenditure / Liquidation Report	General Ledger and Approved Budget Plan	Bookkeeper/ Accountant	Quarterly	Within 30 days after the end of the quarter	3	President, Grantor, File
63	Quarterly Implementation Plan	Schedule of Activities of each Project	Project Director	Quarterly	Within 1 month before start of quarter	3	Board of Directors, Grantor, File
64	Progress Report	Result of Projects and Activities	Project Director	Quarterly	Within 30 days after the end of the quarter	3	Board of Directors, Grantor, File

FINANCIAL MANAGEMENT

EXHIBITS / FORMS

USAID

PVO

GRANTEES

LIST OF EXHIBITS

<u>EXHIBIT NUMBER</u>	<u>PARTICULARS</u>
1	Chart of Accounts
2	Definition of Accounts
3	Cash Receipts Book
4	Cash Disbursements Book
5	Sales Book
6	Journal Voucher
7	General Ledger
8	Loans Receivable Subsidiary Ledger
9	Accounts Receivable Subsidiary Ledger
10	Advances to Officer & Employee Subsidiary Ledger
11	Stock Card
12	Fixed Asset Register
13	Accounts Payable Subsidiary Ledger
14	Employee's Earnings Record
15	Trial Balance
16	Agreement for Special Bank Account
17	Official Receipt
18	Cash Sales Invoice
19	Credit Sales Invoice
20	Statement of Account
21	Cash Voucher

LIST OF EXHIBITS

<u>EXHIBIT NUMBER</u>	<u>PARTICULARS</u>
22	Check Register
23	Cash Advance Slip
24	Petty Cash/Revolving Fund Voucher
25	Liquidation Report
26	Petty Cash/Revolving Fund Replenishment Summary
27	Daily Time Record
28	Weekly Accomplishment Report
29	Payroll Sheet
30	Loan Application Form
31	Loan Recommendation Report
32	Memorandum of Agreement
33	Promissory Note
34	Promissory Note Register
35	Credit Advice
36	Loan Release Schedule
37	Purchase Requisition
38	Purchase Order
39	Canvass Report
40	Receiving Report
41	Bin Card
42	Request for Quotation
43	Travel Order and Request for Cash Advance

LIST OF EXHIBITS

**EXHIBIT
NUMBER**

PARTICULARS

44	Travel Expenses Liquidation Report
45	Daily Training Attendance Sheet
46	Requisition/Issue Slip
47	Summary of Materials Issued and Returned
48	Materials Return Slip
49	Counterpart Contribution Control Record
50	Statement of Donated/Volunteer Service Statement of Donated Service
51	Statement of Depreciation Charged on Equipment Usage
52	Statement of Space Usage
53	Consolidated Statement of Assets, Liabilities and Fund Balances
54	Consolidated Statement of Revenues, Expenses and Charges in Fund Balances
55	Statement of Operating Expenses
56	Bank Reconciliation Statement
57	Daily Cash Position Report
58	Liquidation Report of Loan Funds
59	Loan Release Report
60	Aging Schedule of Loans Receivable
61	Quarterly Request for Cash Advance
62	Quarterly Expenditure/Liquidation Report
63	Quarterly Implementation Plan
64	Quarterly Progress Report

**CHART OF ACCOUNTS
USAID PROJECT**

<u>C O D E</u>	<u>A C C O U N T T I T L E S</u>
<u>100-159</u>	<u>CURRENT ASSETS</u>
2-01-101	Cash on hand
2-01-102	Petty cash fund
2-01-103	Cash in bank - USAID Fund
2-01-111	Advances to officers and employees
2-01-121	Materials and supplies inventory
2-01-131	Prepaid expenses
2-01-115	Other current assets
<u>160-169</u>	<u>PROPERTY AND EQUIPMENT</u>
2-01-161	Equipment
2-01-161-A	Accumulated depreciation-Equipment
<u>170-199</u>	<u>OTHER ASSETS</u>

Applicable only to USAID Project. A similar Chart of Accounts should also be prepared for the PVO's general fund and other funding agencies.

<u>C O D E</u>	<u>A C C O U N T T I T L E S</u>
<u>200-299</u>	<u>CURRENT LIABILITIES</u>
2-01-201	Accounts payable
2-01-202	Accrued expenses
2-01-203	Due to officers and employees
2-01-204	Due to USAID - refundable
2-01-205	SSS and medicare payable
2-01-206	Withholding tax payable
2-01-211	Other current liabilities
<u>300-399</u>	<u>FUND BALANCE</u>
2-01-301	USAID Fund
<u>400-499</u>	<u>R E V E N U E S</u>
2-01-401	G r a n t
2-01-430	Other income
<u>500-599</u>	<u>EXPENSES</u>
<u>500-509</u>	<u>PERSONNEL</u>
2-01-501	Project Director
2-01-502	Administrative Coordinator
2-01-503	Project Accountant
2-01-509	Fringe Benefit - 13th Month Pay

C O D E -----	A C C O U N T T I T L E S -----
510-519 -----	EQUIPMENT AND COMMODITIES -----
2-01-511	IBM Personal Computer
2-01-512	Hand Tractors
2-01-513	Rice Threshers
520-529 -----	MONITORING AND EVALUATION -----
2-01-521	Transportation to Project Sites
2-01-522	Hotel, Food Expense
530-539 -----	ADMINISTRATION & TRAVEL -----
2-01-531	Cost of cheque books
2-01-532	Telephone & Telegrams Expenses
2-01-533	Transportation expense to bank, post office, etc.
540-549 -----	SUB-GRANTS -----
550-559 -----	TRAINING -----
2-01-551	Rental of Training Venue
2-01-552	Food expenses during training
2-01-553	Training materials
560-569 -----	LOAN FUND -----
570-579 -----	OTHER DIRECT COSTS -----

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DEFINITION OF ACCOUNTS

ASSETS (100 - 199)

101 Cash on Hand

This account is debited with cash collections from receivables and cash receipts from other sources. It is then credited with the subsequent deposit of these cash collections to the bank account.

102 Petty Cash Fund / Revolving Fund

This account is set up to take care of expenses which need not be paid in cheques. The fund is established under the imprest system, which does not fluctuate regardless of disbursements and replenishments made out of the fund. The fund is replenished when cash in the fund is near depletion or reaches a certain minimum balance.

103 Cash in Bank

This represents Cash in Bank account balance, whether savings and/or demand deposits not subject to restrictions on withdrawals. It is increased by deposits and bank credits and decreased by withdrawals, payments and bank charges made from the bank account.

111 Advances to Employees and Officers

This account represents unliquidated advances to officers and employees for transportation and various project related expenses.

121 Materials and Supplies Inventory

This represents unused materials and supplies.

131 Prepaid Expenses

This account represents payment for expenses which are not yet incurred.

161 Equipment

This account represents all tangible assets of lasting value and used, acquired by the Grantee, whether donated or purchased through the general fund, unrestricted grant or a special grant.

161A Accumulated Depreciation-Equipment

This account is provided to recognize the cost portion of the Equipment account which has been amortized. The estimated useful life of the asset is taken into account and a portion of the cost is charged to operation every year.

170-199 Other Assets

This account represents other long-term assets and deferred charges such as long-term investments, research and development cost, organization and pre-operating expenses and other deferred charges.

LIABILITIES (200 - 299)

AND FUND BALANCES (300 - 399)

201 **Accounts Payable**

This account represents unpaid bills covering accounts or obligations to outside creditors arising from the purchase of materials, supplies, services, property and equipment and other transactions.

202 **Accrued Expenses**

This account represents accrued salaries. This also includes other expenses incurred but not yet paid as of the end of a period such as accrued rent, interest, etc.

203 **Due to Officers and Employees**

This account includes amounts advanced by officers and employees to expenses chargeable to project.

204 **Due to USAID - Refundable**

This account represents interest earned on funds provided by USAID.

205 **SSS and Medicare Payable**

This represents the Employees and Employers share of SSS and Medicare Contributions which are to be remitted to SSS.

[Handwritten signature and date]

206 **Withholding Tax Payable**

This represents the taxes withheld on employees' earnings which are to be remitted to BIR.

211 **Other Current Liabilities**

This account takes care of other current liabilities incurred which cannot be classified under any specific liability account.

301 **USAID Fund**

This account shows the balance of a fund entity/project as of a certain period. This is increased/credited for the excess of revenue over expenses and receipt of transfers from other fund entities. This is decreased/debited for excess of expenses over revenues and transfer of funds to other fund entities.

REVENUES (400 - 499)

401 **G r a n t s**

This account represents the amount of operating grants, capital grants, and special grants received from Grantors.

430 **Other Income**

This account represents income derived from sources not properly classifiable under any of the above revenue classifications.

[Handwritten signature and notes at the bottom of the page]

500-599 **Expenses**

501-509 **Personnel**

This account is to be charged for salaries and wages of project officers and staff. It likewise includes 13 month pay and other employees' fringe benefits.

510-519 **Equipment and Commodities**

This account is to be charged for acquisition of budgeted items approved by USAID.

520-529 **Monitoring and Evaluation**

This account is to be charged for expenses incurred in monitoring and evaluating the progress of the implementation of projects.

530-539 **Administration and Travel**

This account is to be charged for approved administrative (e.g. office supplies, rent, power, etc.) and travel expenses incurred by the PVO.

540-549 **Sub-Grants**

This account is to be charged for fund releases to sub-grantees.

550-559 **Training**

This account is to be charged for expenses incurred in the training/seminars of the staff and/or beneficiaries of the project.

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560-569 **Loan Fund**

This account is to be charged for all loan releases to the beneficiaries by the PVO.

570-579 **Other Direct Costs**

This account represents expenditures not properly classified under any of the above expense classification. Approval of USAID must first be obtained before an expenditure could be charged to this account.

CASH RECEIPTS BOOK

DATE	PAYOR	OFFICIAL RECEIPT NO.	DEBIT	C R E D I T S				
			CASH IN BANK	USAID GRANT	COUNTER- PART GRANT	SUNDRY	ACCOUNT CODE	AMOUNT

Name of PVO

FIXED ASSET REGISTER

ASSET DESCRIPTION	ACQUISITION DATE	COST	ESTIMATED LIFE	DEPRECIATION RATE	ACC. END OF PRECEDING YEAR	* MONTH	* MONTH	TOTAL ACCUMULATED DEPRECIATION

A columnar worksheet can be prepared for this schedule.

* Specify, use as many columns as needed.

EMPLOYEE'S EARNINGS RECORD

Name : _____ Date of Employment: _____
 Address : _____ Salary rate: _____ O.T. Rate: _____
 Designation : _____ SSS No. _____

PERIOD ENDING	EARNINGS			DEDUCTIONS				NET EARNINGS	
	REGULAR	OVER TIME	GROSS	W/HOLD- ING TAX	SSS	MEDICARE	OTHERS		TOTAL

VACATION LEAVE				SICK LEAVE RECORD			
DATE	ACCRUED	TAKEN	ABSENCES	BALANCE	ACCRUED	TAKEN	BALANCE

This form can either be mimeographed or prepared manually in a logbook.

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Name of PVO

TRIAL BALANCE

, 19

ACCT. NO.	ACCOUNT TITLE	DEBIT	CREDIT
100-159	CURRENT ASSETS		
2-01-101	Cash on Hand	xxx	
2-01-102	Petty Cash Fund	xxx	
2-01-103	Cash in Bank -USAID Fund	xxx	
2-01-111	Advances to Officers & Emp.	xxx	
2-01-121	Materials & Supplies Inventory	xxx	
2-01-131	Prepaid Expenses	xxx	
2-01-115	Other Assets	xxx	
160-169	PROPERTY & EQUIPMENT		
2-01-161	Equipment	xxx	
2-01-161A	Accumulated Depreciation-Equip		xxx
170-199	OTHER ASSETS * Specify	xxx	
200-299	CURRENT LIABILITIES		
2-01-201	Accounts Payable		xxx
2-01-202	Accrued Expenses		xxx
2-01-203	Due to Officers & Employees		xxx
2-01-204	Due to USAID - refundable		xxx
2-01-205	SSS and Medicare Payable		xxx
2-01-206	Withholding Tax Payable		xxx
2-01-211	Other Current Liabilities		xxx
300-399	FUND BALANCES		
2-01-301	USAID Fund		xxx
400-499	REVENUES		
2-01-401	Grant		xxx
2-01-430	Other Income		xxx
500-599	EXPENSES		
500-509	PERSONNEL		
2-01-501	Project Director	xxx	
2-01-502	Administrative Coordinator	xxx	
2-01-503	Project Accountant	xxx	
2-01-509	Fringe Benefits	xxx	

ACCT. NO.	ACCOUNT TITLE	DEBIT	CREDIT
510-519	COMMODITIES & EQUIPMENT		
2-01-511	IBM Personal Computer	xxx	
2-01-512	Hand Tractors	xxx	
2-01-513	Rice Thresher	xxx	
520-529	MONITORING & EVALUATION		
2-01-521	Transportation to Project Sites	xxx	
2-01-522	Hotel & Food Expenses	xxx	
530-539	ADMINISTRATION AND TRAVEL		
2-01-531	Cost of Cheque Books	xxx	
2-01-531	Telephone & Telegram Exp	xxx	
2-01-531	Transportation Expense	xxx	
540-549	SUB-GRANTS		
2-01-540	* Specify	xxx	
550-559	TRAINING		
2-01-551	Rental of Training Venue	xxx	
2-01-552	Food Expenses during training	xxx	
2-01-553	Training Materials	xxx	
560-569	LOAN FUND		
2-01-560	* Specify	xxx	
570-579	OTHER DIRECT COST		
02-01-570	* Specify	xxx	
580-589	DEPRECIATION	xxx	
	BALANCES	xxx	xxx

AGREEMENT FOR SPECIAL BANK ACCOUNT

This Agreement is entered into this _____ day of _____, 19____, between the United States of America (the "U.S. Government"), represented by the Agency for International Development ("A.I.D."), [1] _____, a non-stock, non-profit corporation organized and existing under the laws of the Republic of the Philippines (the "Grantee") and [2] _____, a banking corporation organized and existing under the laws of the Republic of the Philippines (the "Bank")

WITNESSETH:

WHEREAS, A.I.D. and the Grantee entered into a Grant Agreement dated _____, 19____ (the "Grant Agreement") for [3] _____ providing for advances of funds by A.I.D. to the Grantee; and

WHEREAS, under the terms of the Grant Agreement, the Grantee is required to establish a separate bank account for the deposit of funds advanced under the Grant Agreement; and

WHEREAS, the Grantee has established a separate bank account with the Bank, hereby designated the [4] _____ (the "Special Account").

NOW THEREFORE, in consideration of the foregoing, and for other good and valuable consideration, the Bank, A.I.D. and the Grantee hereby agree as follows:

- [1] Insert Grantee's full legal name.
- [2] Insert Bank's full legal name.
- [3] Insert full name of Project
- [4] Insert "Grantee's Name/AID Special Bank Account".

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Section 1. The U.S. Government shall have a lien on the credit balance in the Special Account to secure the payment of any obligations of the Grantee under the Grant Agreement to the U.S. Government or its agencies and instrumentalities. The Bank agrees that any lien or claim of the Bank with respect to the Special Account shall be subordinated to the lien of the U.S. Government.

Section 2. The Bank shall be bound by the terms of the Grant Agreement relating to the deposit and withdrawal of funds in the Special Account, but shall not be responsible for the application of funds withdrawn from the account. The Bank shall act upon written directions of the Grant Officer representing A.I.D.'s Mission to the Philippines ("USAID/Philippines") and the duly authorized representatives of said Grant Officer. The Bank shall not be held liable to any party to this Agreement for any action that complies with such written directions. Any written directions received by the Bank through the USAID/Philippines Grant Officer on A.I.D. or USAID/Philippines stationery and purporting to be signed by, or by the direction of said Grant Officer or his or her duly authorized representative, shall be, as far as the rights, duties and liabilities of the Bank are concerned, considered to be properly issued and filed with the Bank by A.I.D.

Section 3. The U.S. Government and its authorized representatives, shall have access to the books and records maintained by the Bank regarding the Special Account at all reasonable times and for all reasonable purposes, including, without limitation, the inspection or copying of said books and records and any and all pertinent memoranda, checks, correspondence and documents. The Bank shall preserve such books and records for a period of six years after the closing of the Special Account.

Section 4. In the event of the service of any writ of attachment, levy of execution or commencement of garnishment proceedings against the Special Account, the Bank shall promptly notify the Grant Officer, USAID/Philippines, Ramon Magsaysay Center Building, 1680 Roxas Boulevard, Manila.

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IN WITNESS WHEREOF, the Bank, A.I.D. and the Grantee, each acting through its duly authorized representatives, have caused this Agreement to be signed in their names and delivered as of the day and year first above written.

[5]

[6]

By: _____
Title:

By: _____
Title:

UNITED STATES OF AMERICA

By: _____
Title: Grant Officer
USAID/Philippines

[5] Insert Grantee's full legal name
[6] Insert Bank's full legal name

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SIGNED IN THE PRESENCE OF:

ACKNOWLEDGEMENT

REPUBLIC OF THE PHILIPPINES)
_____) S.S.

BEFORE ME, a Notary Public for and in the _____, on
this ____ day of _____ 19 __, personally came and appeared the following:

- 1. _____ Res. Certificate No. A-_____
Representative of Grantee Issued at _____
on _____
- 2. _____ Res. Certificate No. A-_____
Representative of Bank Issued at _____
on _____
- 3. _____
Grant Officer/USAID _____exempted

all known to me and to me known to be the same persons who executed the
foregoing Agreement, which consists of ____ pages, including this page on
which this acknowledgment portion is written, duly signed by the parties and

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their instrumental witnesses. The parties above acknowledged to me that the execution of the Agreement is their own free, voluntary act and deed and the voluntary act and deed of the firms and agency they are representing.

WITNESS MY HAND AND SEAL on the date and place first above written.

Notary Public

Until December _____, 19__

PTR No. _____

Doc. No. _____:

Page No. _____:

Book No. _____:

Series of 19__:

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Name of PVO
OFFICIAL RECEIPT

No. _____
Date: _____

Received from : _____ the sum of Pesos: _____
_____ (P _____) in partial/full payment of:

Deposit to Account _____

Received Payment in :

Cash _____ P _____
Check _____ P _____
Bank _____
Date _____

TOTAL P _____
=====

Authorized Signature

The Official Receipt must be prenumbered.

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Name of PVO
CASH SALES INVOICE

No. _____

Sold to: _____

Date: _____

Address: _____

Terms: _____

QUANTITY	ARTICLE	UNIT PRICE	AMOUNT

Received the above items in good order and condition.

Issued by:

Customer

Name of PVO
CREDIT SALES INVOICE

No. _____

Sold to: _____

Date: _____

Address: _____

Terms: _____

QUANTITY	A R T I C L E	UNIT PRICE	AMOUNT

Received the above items in good order and condition.

Issued by:

Customer

Name of PVO
STATEMENT OF ACCOUNT

To: _____

Date: _____

Account: _____

As of _____, 19 _____

DATE	PARTICULARS	DEBIT	CREDIT	BALANCE
TOTAL AMOUNT DUE AND PAYABLE				P

NAME OF PVO
CASH VOUCHER

Payee: _____ CV No. _____
Date: _____, 19____

P A R T I C U L A R S	:	A M O U N T
	:	:
	:	:
	:	:
	:	:
	:	:
	:	:

A C C O U N T T I T L E	:	C o d e	:	A M O U N T :		
	:	:	:	D R.	:	C R.
	:	:	:	:	:	:
	:	:	:	:	:	:
	:	:	:	:	:	:
	:	:	:	:	:	:
	:	:	:	:	:	:

Received from (Name of PVO) _____ : Bank _____
the amount of Pesos: _____ : Check No. _____
(P _____) in payment of the : Prepared by: _____
particulars shown above. : _____
: _____
: _____
: Approved By: _____
Payee : _____
Date: _____ : _____

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Name of FVO

PETTY CASH/REVOLVING FUND VOUCHER

PCV No. _____

Payee _____ Date _____, 19 ____
Amount _____ (P _____)
For _____

Account Title	Amount	
		Approved by: _____ Received by: _____

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Name of PVO
LIQUIDATION REPORT

_____ 19 _____

Submitted By: _____
(Printed Name)

Designation : _____

CASH ADVANCED
(Per CAS dated: _____)

P _____

Expenses: (Attach Receipts and other
supporting documents)
(Itemized and explain briefly) P _____

Total Expenses

Amount Due/Refundable

P
=====

Prepared by:

Approved by:

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Name of P V O

PAYROLL SHEET

WORK PERIOD _____

	NAME OF EMPLOYEE	REGULAR TIME			OVERTIME				LIVING ALLO- WANCE	13th MONTH	TOTAL AMOUNT	DEDUCTIONS					NET AMOUNT PAID	SIGN/TURE REMARKS
		DAYS OF WORK	RATE	AMOUNT	REGULAR DAY		SUN: & HOLIDAY					TAX	S S S	MEDI- CARE	PAG EIG	OTHERS		
					HRS	AMOUNT	HRS	AMOUNT										
1																		
2																		
3																		
4																		
5																		
6																		
7																		
8																		
9																		
TOTAL																		

PREPARED BY:

RECOMMEND APPROVAL:

APPROVED BY:

134

Name of PVD

LOAN APPLICATION FORM

Name of Borrower: _____ Age: _____
 Occupation: _____ Total Income: _____
 Other Source of Income: _____
 Name of Spouse: _____ Age: _____
 Address: _____
 Total Land Holdings: _____ Tenurial Status: _____
 Crop Raised: _____
 Crop to be financed: _____ Area: _____
 Loan Applied: _____

QUANTITY	:	DESCRIPTION	:	UNIT PRICE	:	AMOUNT
	:		:		:	
	:		:		:	
	:		:		:	
	:		:		:	
	:		:		:	
	:		:		:	
	:		:		:	
	:		:		:	
	:		:		:	
	:		:		:	

TOTAL

Collateral: _____
 Description: _____ Owner: _____
 Loan Period: _____ Due Date: _____
 Immediate Farm Heir: _____
 Date Applied: _____

Signature of Applicant

Signature of Extension Officer

Signature of Project Coord.

APPROVED BY:

Signature of Project Director

DATE APPROVED: _____

Name of PVO

LOAN RECOMMENDATION REPORT

A. The loan application of the following individuals are recommended for approval:

	<u>NAME OF APPLICANT</u>	<u>AMOUNT</u>	<u>TERM</u>	<u>PURPOSE OF LOAN</u>
1.	_____	_____	_____	_____
2.	_____	_____	_____	_____
3.	_____	_____	_____	_____
4.	_____	_____	_____	_____
5.	_____	_____	_____	_____
6.	_____	_____	_____	_____

B. The loan application of the following individuals are recommended for disapproval:

	<u>NAME OF APPLICANT</u>	<u>AMOUNT</u>	<u>REASON FOR DISAPPROVAL</u>
1.	_____	_____	_____
2.	_____	_____	_____
3.	_____	_____	_____

Approved by:

Recommended by:

Note: Please prepare in triplicate copies.

MEMORANDUM OF AGREEMENT

KNOW ALL MEN BY THESE PRESENTS:

This memorandum of agreement which is executed by and between -

_____, a non-stock, non-profit foundation, and a Private Voluntary Organization of the United States Agency for International Development, with principal place of business at _____, represented in this instance by its President, Mr. _____, hereinafter referred to as the Party of the First Part;

.. and -

_____, a Filipino, of legal age, married and residing at _____, hereinafter referred to as the Party of the Second Part;

WITNESSETH:

(Terms & Conditions of the Loan)

P _____

PROMISSORY NOTE

FOR VALUE RECEIVED, I/we, the undersigned, hereby promise to pay to _____ or the sum of PESOS _____ (P _____), Philippine Currency, payable in accordance with the terms of the loans as follows:

<u>Due Date/s</u>	<u>Amount</u>
_____	_____
_____	_____
_____	_____
_____	_____

 NAME IN PRINT
 AND SIGNATURE
 POSITION

Witnesses:

Name of PVO

PROMISSORY NOTE REGISTER

<u>DATE</u>	<u>NAME OF BORROWER</u>	<u>ADDRESS</u>	<u>PN. NO.</u>	<u>LOAN AMOUNT</u>	<u>TERMS OF LOAN</u>
-----	-----	-----	-----	-----	-----
-----	-----	-----	-----	-----	-----
-----	-----	-----	-----	-----	-----
-----	-----	-----	-----	-----	-----
-----	-----	-----	-----	-----	-----
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-----	-----	-----	-----	-----	-----
-----	-----	-----	-----	-----	-----
-----	-----	-----	-----	-----	-----

NAME OF PVO
CREDIT ADVICE

The loan application of the following applicants were approved and ready for release:

	NAME OF APPLICANT	AMOUNT	TERM	PURPOSE OF LOAN
1.	_____	_____	_____	_____
2.	_____	_____	_____	_____
3.	_____	_____	_____	_____
4.	_____	_____	_____	_____
5.	_____	_____	_____	_____
6.	_____	_____	_____	_____
7.	_____	_____	_____	_____
8.	_____	_____	_____	_____

Approved by:

128

NAME OF PVO
LOAN RELEASE SCHEDULE

NAME OF BORROWER : _____
Amount of Loan : _____
Interest Rate : _____
Date of Loan : _____
Maturity Date : _____
Purpose of Loan : _____

<u>Date of Release</u>	<u>Amount</u>
_____	P _____
_____	_____
_____	_____
_____	_____
Total	P _____ =====

NOTED BY:

PREPARED BY:

Name of PVO

PURCHASE REQUISITION

To : _____
From: _____

PR No. _____
Date : _____

Respectfully requesting the purchase of the following items/articles:

Quantity	Unit	Items/Article	Unit Cost	Amount

Charged to: _____
Department or Project

Requested by: _____

Date Needed: _____

Approved by: _____

145

Name of PVO
PURCHASE ORDER

Supplier : _____
Address : _____

P. O. No. _____
Date: _____
Terms: _____

Quantity	Unit	Description	Price	Amount

Note : Please furnish us with a copy of your invoice at the time of delivery.

Prepared by:

Approved by:

The Purchase Order (PO) is to be printed or mimeographed and must be prenumbered.

10/1

Name of PVO
RECEIVING REPORT

Receiving the following items/articles from _____
Name of Supplier

under Invoice No. _____ per PO No. _____

QUANTITY	UNIT	ITEM/ARTICLE	UNIT COST	AMOUNT

Received by: _____

Posted by: _____

Name of PVO

REQUEST FOR QUOTATION

RQ No.: _____

Date : _____

To _____

1. Please quote us your price on items specified below: Advise terms of payment, delivery and other.

2. Please send your quotation not later than _____
19 _____.

No.	Particulars	Unit	Quantity

Authorized Officer

145

Name of PVO
TRAVEL ORDER
AND
REQUEST FOR CASH ADVANCE

Project : _____ Date : _____

This is to authorize _____ (Name) _____ (Position)

to go on field travel to :

Itinerary	Period Covered	Purpose
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

In this regard the above-named personnel is authorized to request for cash advance to cover his/her expenses during fieldwork which is estimated as follows:

Expense Account	Estimated Amount
1. Transportation	_____
2. Per Diem or Accomodation and Food	_____
3. Supplies and Material	_____
4. Others (Specify)	_____
5. _____	_____
TOTAL	P _____

Prepared by: _____ Recommended for Approval _____ Approved by: _____

Received the amount of: _____ as Cash Advance: _____
 Received by: _____

DAILY TRAINING ATTENDANCE SHEET

Training Program: _____
Projections: _____
Date: _____
Training Venue: _____
Period Covered: _____

Name of Participant	Morning Time		Afternoon Time		Signature
	In	Out	In	Out	
-----	-----	-----	-----	-----	-----
-----	-----	-----	-----	-----	-----
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Noted by:

Training Officer

148

Name of PVO

REQUISITION/ISSUE SLIP

RIS No: _____

Date : _____

Respectfully requesting the issuance of the following items/articles

Quantity	Unit	Items/Articles	Unit Cost	Amount

Charge to : _____
Department of Project

Approved by: _____

Requested by : _____

Issued by : _____

Received by : _____

SUMMARY OF MATERIALS ISSUED AND RETURNED

For the month of _____ 19 _____

RIS/MRS NUMBER	DATE	PARTICULARS	QTY.	UNIT COST	MATERIALS	
					ISSUED	RETURNED
		TOTAL				
Prepared by:				Reviewed by:		
_____ Storekeeper				_____ Bookkeeper		

150

MATERIALS RETURN SLIP

NO.	PARTICULARS	REASON FOR RETURNING	UNIT	QUANTITY	PROJECT/ NOTES
Returned by: <hr/> Date		Received by : <hr/> Date	Approved by : <hr/> Date		

157

Name of PVO

**STATEMENT OF DEPRECIATION
CHARGED ON EQUIPMENT USAGE
Project: _____**

Equipment/Commodity : _____ Type: _____
Acquisition Cost : _____ Model (if any): _____
Annual Depreciation : _____
No. of Months Used : _____
Period Covered : _____

Computation of Chargeable Depreciation:

$$\frac{\text{Annual Depreciation}}{12 \text{ Months}} \times \text{No. of Months Used for the Project}$$

Amount Chargeable to the Project : (P _____)

Computed by:

Checked by:

Approved by:

Name of PVO

STATEMENT OF SPACE USAGE
Project: _____

Location of Space : _____
Approximate Area : _____
Used for the Purpose of : _____
Used for the period covered : _____
Fair Rental Rates (FRR) in the
Locality for similar space
(Daily rate or monthly rate) : _____

Computation of Rent Expense chargeable to the Project

FRR x No. of days or months used

Inputed Rentals : _____

Computed by:

Checked by:

Approved by:

135

Name of PVO

CONSOLIDATED STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES
 _____, 19____

A S S E T S	GENERAL FUND	USAID*	SPECIAL PROGRAM FUND OTHER FUND	OTHER FUND*	TOTAL FUNDS
-----	-----	-----	-----	-----	-----
Current Assets					
Cash on Hand					
Petty Cash Fund					
Cash in Bank					
Accounts Receivable					
Advances from Officers and Employees					
Materials and Supplies Inventory					
Prepaid Expenses					
Merchandise Inventory					
Other Current Assets					
	-----	-----	-----	-----	-----
Total Current Assets	-----	-----	-----	-----	-----
Property Plant and Equipment					
Equipment					
Less: Accumulated Depreciation					
	-----	-----	-----	-----	-----
Net	-----	-----	-----	-----	-----
Other Assets					
	-----	-----	-----	-----	-----
TOTAL ASSETS	=====	=====	=====	=====	=====
LIABILITIES AND FUND BALANCES					

Current Liabilities					
Accounts Payable					
Accrued Expenses					
Due to Officers and Employees					
Due to USAID-refundable					
SSS & Medicare Payable					
Withholding Tax Payable					
Other Current Liabilities					
	-----	-----	-----	-----	-----
Total Current Liabilities	-----	-----	-----	-----	-----
Fund Balances					
	-----	-----	-----	-----	-----
TOTAL LIABILITIES AND FUND BALANCES	=====	=====	=====	=====	=====

* Represents donors contributions for special purposes. Additional columns should be provided as necessary.

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Name of PVO

CONSOLIDATED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES
 _____, 19____

	GENERAL FUND	USAID*	SPECIAL PROGRAM FUND OTHER FUND	OTHER FUND*	TOTAL FUNDS
	-----	-----	-----	-----	-----
REVENUES:					
Grants					
Sales (Net)					
Other Income					
	-----	-----	-----	-----	-----
	-----	-----	-----	-----	-----
EXPENSES:					
Cost of Sales					
Personnel					
Monitoring & Evaluation					
Administration and Travel					
Sub-grants					
Training					
Loan Fund					
Depreciation					
Other Direct Costs (Specify)					
	-----	-----	-----	-----	-----
Total Expenses	-----	-----	-----	-----	-----
	-----	-----	-----	-----	-----
Excess (Deficiency) of Revenue over Exp.					
	-----	-----	-----	-----	-----
Fund Balance Beginning					
	-----	-----	-----	-----	-----
Fund Balance Ending					
	=====	=====	=====	=====	=====

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NAME OF PFO

STATEMENT OF OPERATING EXPENSES

19

	GENERAL FUND			U S A I D *			OTHER FUNDS			TOTAL		
	ACTUAL	BUDGET	VARIANCE	ACTUAL	BUDGET	VARIANCE	ACTUAL	BUDGET	VARIANCE	ACTUAL	BUDGET	VARIANCE
Personnel												
Monitoring & Evaluation												
Administration and Travel												
Sub-grants												
Training												
Loan Fund												
Program Support												
Other Direct Costs												
TOTAL EXPENSES BEFORE DEPRECIATION & AMORTIZATION												
Depreciation												
Amortization												
TOTAL OPERATING EXPENSE												

Name of PVO

Bank Reconciliation Statement
(Name of Bank & Account No.)
For the Month of _____, 198__

Balance per books: P _____

Add : Returned Checks P _____

Less: Bank Charges (_____) _____

Adjusted Book Balance P
=====

Balance per bank P _____

Add : Deposit in transit _____

Less: Outstanding Checks _____

Check No.	Date	Payee	Amount
_____	_____	_____	P _____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

(_____)

Adjusted bank balance P =====

Prepared by:

Noted and Approved by:

159

DAILY CASH POSITION REPORT

Date: _____

DESCRIPTION	CASH ON HAND	BANK : AC	BANK : AC	CASH ON HAND AND IN BANK
BEGINNING BALANCE (Indicate the date)	:	:	:	:
<u>RECEIPTS</u>	:	:	:	:
TOTAL	:	:	:	:
<u>DISBURSEMENTS</u>	:	:	:	:
TOTAL	:	:	:	:
NET INFLOW (OUTFLOW)	:	:	:	:
DEPOSITED IN BANK	:	:	:	:
TRANSFERS	:	:	:	:
ENDING BALANCE (Indicate the date)	:	:	:	:

PREPARED BY :

REVIEWED BY:

Date: _____

Date: _____

Name of PVO

LIQUIDATION REPORT OF LOAN FUNDS

From _____ to _____

Fund Balance, Beginning P _____

Add: Grants Received during the Period _____

Total Funds Available _____

Less: Disbursements/Releases

Loans to Proponent:

Name	Amount	
-----	-----	
-----	-----	
-----	-----	
-----	-----	
-----	-----	-----

Net Fund Balance, End P =====

10

Name of PVO
LOAN RELEASE REPORT
AS OF _____, 19____

NAME OF BARROWER	AMOUNT	INTEREST RATE	DATE OF LOAN	MATURITY DATE	PURPOSE OF LOAN

Prepared by:

Checked by:

Noted by:

169

PVO FORM NO. 3

QUARTERLY REQUEST FOR CASH ADVANCE

Name of Grantee: _____
Project Title : _____
Grant Number : _____
Period Covered : _____ through _____ 19 _____

- 1. Amount Authorized (Life of Project) P _____
- 2. Total Cash Advances Received to date _____
- 3. Total Disbursements to date _____
- 4. Estimated Disbursement up to the end of the Quarter _____
- 5. Unexpended Cash Advances /2-(3+4)/ _____
- 6. Cash Requirement for this Period _____
- 7. Cash Advance Requested (6-5) P _____

Projected Expenditures by Line Item
for this Period:*

Monthly Breakdown

A. Personnel Costs	P	_____	_____	_____
B. Equipt. & Commodities		_____	_____	_____
C. Monitoring & Evaluation		_____	_____	_____
D. Training		_____	_____	_____
E. Administrative & Travel		_____	_____	_____
F. Loan Fund		_____	_____	_____
Monthly Totals		_____	_____	_____
Total Amount Required for the period		_____	_____	_____

The undersigned hereby certifies: 1) that the above represents the best estimates of funds needed for expenditures to be incurred over the period described; 2) that expenses under any previous advances are progressing in accordance with projections; 3) that appropriate refund or credit to the grant will be made in the event funds are not expended; 4) that appropriate refund will be made in the event of disallowance in accordance with the terms of this grant; 5) that any interest accrued on the funds made available herein will be refunded to the U.S. Agency for International Development (USAID).

Date Signed

Project Director/Authorized PVO
Representative

*Line Items may be added based on the approved grant budget.

(One copy of the Request for Cash Advance along with the updated Implementation Plan, should be submitted to the USAID Project Manager within the first month following the end of the reporting quarter.)

PVO FORM NO. 4

QUARTERLY EXPENDITURE/LIQUIDATION REPORT

Name of Grantee : _____
 Project Title : _____
 Grant Number : _____
 Period Covered; _____ through _____, 19__

Budget Items	G R A N T F U N D S				Unexpended Balance	C O U N T E R P A R T F U N D S		Total Disbursement
	Approved Budget LOP	Advances Cumulative	Disbursements this Period	Total Disbursement		Approved Budget LOP	Disbursement this Period	
1. Personnel Costs								
Sub-total								

1695

QUARTERLY PROGRESS REPORT

Period Covered: _____ through _____, 19__

- A. Name of PVO _____
- B. Project Title & Grant Number _____
- C. PACD _____
- D. Date of Last Report: _____ E. Date of Last Evaluation _____
- F. Project Funding LOP: Grant _____ G. Counterpart: _____
- H. Expenditure to date: Grant: _____ I. Counterpart: _____
- J. Project Purpose: (Use Additional pages if necessary) _____

K. Activities for the Period _____

L. Outputs (Cumulative, if possible) _____

M. Issues/Problems this Quarter and Planned Actions to Resolve Issues/Problems _____

N. Contractors/Consultants _____

Prepared by: _____

Date Prepared: _____