

JAIME V. ONGPIN MICROFINANCE FOUNDATION, INC.

288 Lower East Kennon Road, Camp 7, Baguio City

ORGANIZATION

Jaime V. Ongpin Microfinance Foundation Inc. (JVOMFI) was registered with the Securities and Exchange Commission (SEC) on June 29, 2017. Previously, the microfinance operations was a unit under the parent foundation, Jaime V. Ongpin Foundation Inc. (JVOFI), since it started operating in 2001. However, due to the directive of the Bureau of Internal Revenue for the Philippine Council for NGO Certification to suspend applications for donee institution status of foundations engaged in microfinance, the microfinance unit was spun-off as a separate NGO. In addition the Microfinance NGOs Act requires that the registered name of the Foundation should include the word “Microfinance”; hence, the separation is not only reflected in the name but in actual operations.

PURPOSE:

To implement a microenterprise development strategy and provide microfinance programs, products and services such as microcredit and microsavings for the poor and low-income clients in the Cordillera Administrative Regions and other areas that the Foundation may expand to in the future.

SOCIAL MISSION:

To provide entrepreneurs, whose businesses are not harmful to the environment, competitive products and services that will help them improve their well-being

CLIENT PROTECTION POLICY:

JVOMFI is committed to ensuring an environment where no harm is done to clients. Therefore JVOMFI adheres to the client protection principles on appropriate product design and delivery, prevention of over-indebtedness, transparency, responsible pricing, fair and respectful treatment of clients, privacy of client data and mechanisms for complaint resolution.

The JVOMFI Manual of Operations aims to provide guidelines to staff, officers and other stake holders in the implementation of its program and services. The policies and procedures herein may be revised or added to as needed. Memorandum will be issued for every revision or addition while this manual is not revised.

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Acronyms

1. AO – Account Officer
2. BO – Branch Officer
3. CFAF – Cash Flow Analysis Form
4. CI/BI – Credit and Background Investigation
5. DCIS – Daily Collection Information Sheet
6. DM – Debit Memo
7. ED – Executive Director
8. ELAF – Emergency Loan Application Form
9. GCL – Group Collection List
10. JVOMFI – Jaime V. Ongpin Microfinance Foundation, Inc.
11. LAF – Loan Application Form
12. LDM – Loan Disbursement Master Roll
13. LGF – Loan Guarantee Fund
14. LOR – Loan Officer Register
15. LPCB – Loan Protection and Capacity Building
16. MAF – Membership Application Form
17. MEC – Monitoring and Evaluation Coordinator
18. MF – Microfinance
19. MFI – Microfinance Institution
20. MSS – Microfinance Support Staff
21. OR – Official Receipt
22. RMB – Required Maintaining Balance
23. PB – Passbook
24. PM – Program Manager
25. PPI – Progress Out of Poverty Index
26. WS – Withdrawal Slip

Goals and Objectives

JVOMFI is guided by the following goals and objectives. The specific targets for each may vary according to short-term and long-term plans.

| Goals | Objectives |
|--|---|
| 1. Target entrepreneurs with businesses not harmful to the environment | 1.1 Increase outreach |
| | 1.2 Clients' businesses that are not harmful to the environment |
| 2. Provide competitive products and services | Design new products to cater to specific needs of client groups |
| 3. Improve well-being | 3.1 Upward movement of clients in the poverty line |
| | 3.2 Treat clients responsibly |

I. Products and Services

A. Financial

1. Regular Loan

This is intended for additional capital to client's business. Interest rate is at 5% per month on declining balance for a loan duration of 5 months or 20 weeks. Payment is on a weekly basis.

- a) Rebates. This is an incentive for clients who pay in full before their maturity date. Rebates apply on the 16th to 20th week, this still applies for full payments earlier than the 15th week (refer to succeeding table).

| Week of full payment | Application of rebate |
|---|-------------------------------------|
| 14 th (earlier than 15 th week) | 16 th – 20 th |
| 15 th | 16 th – 20 th |
| 16 th | 17 th – 20 th |
| 17 th | 18 th – 20 th |
| 18 th | 19 th – 20 th |
| 19 th | 20 th |
| 20 th | None |

- i. Borrowers who incurred at least 1 mark (blue or red) are disqualified for rebates computation. Blue mark is used for payments made after the collection day and for office payments but within the calendar week. While red mark is used for payments made on the following calendar week. E.g. If the amortization is due on Tuesdays and the client failed to pay on the 12th, blue mark applies if payment is made after the 12th but within the week. If payment is made any day of the following week, red mark applies. Refer to sample calendar.

| Sun | Mon | Tue | Wed | Thur | Fri | Sat |
|-----|-----|-----|-----|------|-----|-----|
| | | | | | 1 | 2 |
| 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| 10 | 11 | 12 | 13 | 14 | 15 | 16 |
| 17 | 18 | 19 | 20 | 21 | 22 | 23 |
| 24 | 25 | 26 | 27 | 28 | 29 | 30 |

- ii. Rebates will not be given in cash, instead it will be deducted from the loan balance.
- iii. For amortizations covered by payment holiday, application of rebates will follow the maturity date. The 4th and 5th week of December which is the payment holiday will not be counted. Amortization schedule is adjusted in accounting record.

- b) Payment holiday
- Payment holiday applies every 4th and 5th week of December. E.g. loan releases on the 1st week of October will mature on the 2nd week of March instead of the 4th week of February due to additional 2 weeks.
 - Regular loan processing and release will still be conducted.
 - Indicate date of holiday on the passbook.

c) Re-loan

Borrowers who fully pay before maturity date may re-loan observing the following:

| Loan cycle | Week of full payment | Re-loan |
|-----------------------------------|--|-----------------------------|
| 1 st – 4 th | 15 th week | 15 th week |
| 1 st – 4 th | Before 15 th week | 15 th week |
| 5 th and up | 12 th – 15 th week | On the week of full payment |
| 5 th and up | Before 12 th week | 12 th week |

d) Process Flow

- Area selection. The AO will identify a barangay within the branch's area coverage. Before initial group formation, the following should be observed:
 - AO should conduct courtesy visit to the *Punong Barangay* and to facilitate this a formatted courtesy letter is available with the BO.
 - Potential member borrowers in a group should be at least 6
- Orientation of potential members and membership application. After initial group formation, AO will conduct an orientation using the standard flip chart. The orientation has the following objectives:
 - Short presentation of JVOMFI profile
 - Thorough presentation of products and services
 - Answer queries from potential members
 - Interested applicants to fill-out MAF
- Credit and background investigation. The AO will conduct credit and background investigation to check repayment capacity, debt exposure and character or reputation of applicant.
 - Conduct CI/BI in the applicant's residence and place of business. Use CI/BI form and the filled-out MAF.
 - Verify information written on the applicant's MAF. PPI form should be conducted on-site
 - Confirm information gathered with the applicant then let her sign on the CI/BI form.
- Membership to the program. If the applicant is recommended for membership to the program the following fees should be paid and initial LGF completed:
 - Criteria for Membership
 - Enterprising individuals whose businesses are not harmful to the environment
 - Physically fit to manage business
 - 18-60 years of age,
 - more than 61-65 years of age will be allowed provided physical condition is fit for the business,

- the business activity that is deemed acceptable is retail business like sari-sari store or vending since the tasks are generally light
- for business activities requiring heavy work like farming there should be hired laborers who will do the heavy work
- the applicant should provide medical certificate/clearance “fit to work”
- Permanent resident or at least renting in the same house for the last 2 years
 - Complete provincial address should be indicated in the MAF
- Has good reputation among family members and neighbors
- Applicant should be recommended for membership by AO after CI/BI

2. Disqualification

- More than 3 months pregnant
- With vices like gambling or drinking of liquor
- Living in the same house with an existing member. In case of 2 applicants from 1 household, only 1 will be considered for membership. Living in the same house means sharing in the food expenses.
- With history of delinquency with other MFIs or lending institutions
- Already a member of at least 2 MFIs
- Has incurable disease or illness that affects productivity in the business or with terminal illness

3. Fees

- Passbook fee of P30.00
- Initial LGF of P50.00

4. Documents

- 4pcs passport size ID picture of applicant
- 2pcs passport size ID of co-borrowers 1&2
- Photocopy of 1 valid ID (not expired) of applicant w/ 3 specimen signatures
- Photocopy of 1 valid ID (not expired) or other proof of identification of co-borrower 1 w/ 3 specimen signatures
 - Qualifications of co-borrower 1
 - Permanent resident
 - With stable source of income – business or employment
 - Not more than 60 years old
 - Preferably spouse or other relatives
- Original copy of Brgy. Clearance for “JVOMFI Membership” or for “loan purposes”
- Sketch of residence and place of business

- i. Loan application. Members are given up to 1 month from membership to apply for a loan.

1) New loan

- AO to interview check member's cash flow using CFAP. Should be accomplished on-site
- PPI should be conducted on-site by the AO since questions require actual checking to validate
- Member to submit filled-out LAF, page 1 and 2 only
- AO to interview member using LAF page 3 and indicate recommended loan amount.
- Passbook should be attached to LAF
- AO should inform client of the recommended loan amount on-site

2) Re-loan

- AO to visit member's residence and fill-out PPI form
- AO to check member's cash flow using CFAP with PPI form. Should be accomplished on-site
- AO to conduct rating assessment, interview member using LAF page 3, and indicate recommended loan amount
- Passbook should be attached to LAF
- AO should inform client of the recommended loan amount on-site
- AO to inform client of computed penalties that should be paid before loan disbursement

- ii. Rating Assessment. This evaluates the member's performance in terms of loan payment, LGF deposits and attendance (refer to tables 1, 2 & 3 for scoring). The total score of these categories determines the loan amount for the next loan (refer to tables 4 & 5).

Table 1: Loan Payment – 60%

| | |
|---|----|
| Regular, 1 blue mark | 60 |
| 1 red mark or 2-3 blue marks | 48 |
| 2-3 red marks or 4-5 blue marks | 36 |
| 4-5 red marks or 6-7 blue marks | 24 |
| more than 5 red marks or more than 7 blue marks | 12 |

Table 2: LGF Deposit – 30%

| | |
|--|----|
| 1-3 defaults; 17-20 savings | 30 |
| 4-5 defaults; 15-16 savings | 24 |
| 6-7 defaults; 13-14 savings | 18 |
| 8-9 defaults; 11-12 savings | 12 |
| more than 9 defaults; less than 11 savings | 6 |

Table 3: Attendance in Monthly Meetings – 10%

| | |
|---|----|
| Complete attendance during monthly group meetings | 10 |
| 1 absence in monthly group meetings | 8 |
| 2 absences in monthly group meetings | 6 |
| 3 absences in monthly group meetings | 4 |
| 4 absences in monthly group meetings | 2 |

Table 4: Rating Assessment For 3 cycles and above only

| | |
|--|----------|
| Client can avail of the maximum loan prescribed in the next loan cycle | 94-100 |
| Increase P1,000 – P2,000 | 87-93 |
| Retain the amount of loan | 80-86 |
| Reduction of 2,000 from previous loan | 70-79 |
| Reduction of 3,000 from previous loan | 60-69 |
| Re- validation or Termination | below 60 |

Table 5: Rating Assessment For 1-2 cycles only

| | |
|--|----------|
| Client can avail of the maximum loan prescribed in the next loan cycle | 94-100 |
| Retain amount of loan | 87-93 |
| Reduction of P1,000 from previous loan | 80-86 |
| Reduction of P2,000 from previous loan | 70-79 |
| Re-validation or termination | below 69 |

- iii. Loan approval. Loan approval will be based on cash flow analysis, rating assessment, LGF requirement.
- 1) Cash flow assessment. The loan amount applied for including loan balance in emergency loan should be less than or equal to the maximum loanable amount reflected in the CFAF.
 - 2) Rating assessment. Besides the cash flow, rating assessment also dictates the approval of loan amount. For ratings that fall under the category of re-validation or termination, AO should investigate reason for default. Re-validation applies if reasons for default are due to unforeseen events resulting in client's default. However, if defaults are due to client's negligence, membership will be terminated.
 - 3) LGF requirement. For re-loans, loan amount applied for has a corresponding required LGF.
 - To avail of a higher loan amount, clients may increase their LGF deposit
 - If the full payment and loan release falls on the same week, the maximum LGF credited is P1000.00
 - If the week of loan release is at least a week after the week of full payment, the LGF credited may be more than P1,000.

| Required LGF | Principal Loan |
|-----------------------|-------------------|
| 20% of loan principal | P3,000 – P15,000 |
| 30% of loan principal | P16,000 and above |

Loan amount per cycle. The following will be the basis for increments for every loan cycle. Special increase applies when the business need of the member indeed require higher loan amount as per recommendation of the AO. Recommendations will be validated by the BO.

| Loan cycle | Loan Amount | Special Increase |
|-----------------|-----------------|------------------|
| 1 st | P3,000 – P5,000 | Up to P7,000 |

| Loan cycle | Loan Amount | Special Increase |
|------------------------------|-----------------------|-------------------------|
| 2 nd | Up to P3,000 increase | Up to P5,000 increase |
| 3 rd | Up to P3,000 increase | Up to P5,000 increase |
| 4 th cycle and up | Up to P10,000 | |

Special increase. Special increase should have attachments – business permit issued by the municipality or proof of payment of business tax and purchase order with official heading or receipt by the supplier (hand written purchase order without official letter head of the supplier will not be accepted)

“BALIK JVO MICROFINANCE FOUNDATION, INC.” This applies to return clients with previous good repayment record who wants to renew membership. Loan amount on the first cycle may start at P10,000, provided they meet the following criteria:

- Has reached a loan principal of at least P15,000 in any of the previous cycles
- No record of delinquency in the latest loan cycle

Collateralized loan. If the loan applied for is P81,000 – P150,000 hard collateral is required. Vehicle should have an Official Receipt (OR) and Confirmation Receipt (CR) and lots should have Transfer Certificate of Title in the name of the borrower; otherwise, the borrower should submit a Deed of Assignment from the registered owner to secure the loan. These will be mortgaged and fees will be paid by the borrower. In the absence of hard collateral, post-dated checks will be accepted.

- In all cases, reasons for the disapproval of loan application or loan amount should be indicated on the LAF for the information of the client.
- Information/details required in the forms should be completed. Incomplete information/details will form basis for disapproval and will dictate the progress of loan processing.

Approving authority. For all loan applications, AOs and BOs recommend for approval. Approving authority will depend on the loan principal applied for.

| Approving Authority | Loan Principal |
|----------------------------|---|
| Program Manager | P3,000-P50,000 |
| Finance Manager | P51,000 and above |
| Executive Director | Any amount / Loan applications for : New clients, Ratings below 79%, and Return clients |

- Upon approval, all loan applications are forwarded to the Bookkeeper for check preparation.
- iv. **Loan disbursement.** Loan disbursements are done in the Branch offices. Representative/proxy are not allowed.
- All approved loans with printed CVs and Disclosure Statement means that the amortization schedule should be followed, regardless of when the client will claim his/her loan (get paycard, withdraw loan or sign CV and Disclosure Statement).
 - The MSS will prepare LDM
 - Before loan disbursement the BO will discuss the following:

- Policy review and updates
- Reminders to clients regarding commitment to loan repayments, attendance and others.
- Discuss contents of the Promissory Note
- The person in-charge of loan disbursement will be the MSS
- The following should be checked and completed.
 - The borrower should sign in the LDM
 - Credit Group Life Insurance Individual Application / Debtor's Coverage and Health Statement (DCHS) in original/white and duplicate/yellow copies. Should be completed by the member. The "Confirmation of Coverage" at the lower portion of the original copy will be given to the member. The upper portion of the original copy will be submitted to the insurance provider. The duplicate copy is filed in the member's folder.
 - Check voucher. After the member receives check and signs on the "Received Payment" in the check voucher, the original copy will be forwarded to the Bookkeeper. The second copy will be kept in the member's folder.
 - Disclosure Statement on Loan/Credit Transaction. This is signed by the member to acknowledge the transaction. Original copy is given to the member and duplicate copy is kept in the member's folder.
 - Amortization Schedule. A copy of the amortization schedule is also issued to the member. No copy is kept for filing.
 - MSS should mark "PAID" on the Check Voucher, Promissory Note and Cash flow form
- In cases where the member does not accept the loan amount approved or other conditions of the loan application, member has the option to cancel application. Checks and check vouchers will be marked "CANCELLED" by the Bookkeeper.

Check encashment. Checks may be encashed in Metrobank branches and other establishments. The requirement for encashment are as follows:

| Metrobank Locations and Other Establishments | Requirements |
|--|-----------------------------|
| Metrobank Servicing Branch (Baguio Branch- Metrobank Naguilian/ La Trinidad Branch- Metrobank La Trinidad) | JVOMFI passbook, 1 valid ID |
| Other Metrobank Branches | 2 valid IDs |
| Tiongsan Harrison/La Trinidad, Tiongsan Magsaysay, Sunshine Supermart | 1 valid ID |

Paycard disbursement. Paycards will be issued to clients where loans, LGF withdrawals and insurance benefits will be credited (refer to Appendix c for flow and details of paycard disbursement)

- Paycards is applicable for loan amounts up to Php 30,000.00.
- Clients with loan amounts more than Php 30,000.00 has the option for check or paycard disbursement.

v. Loan collection and monitoring.

- Loan repayment starts the week following the week of loan disbursement on the scheduled repayment day.
- Group members and AO should agree on the day, time and group area collection.
- “Must have” for AOs before going to the field:
 - 1) GCL from Bookkeeper and given to group 1 week advance
 - 2) LOR
 - 3) PB (following PB reconciliation)
 - 4) OR
 - 5) DM
 - 6) LGF Withdrawal / Return Slip
 - 7) Client Exit Interview Form
 - 8) CB Kalinga Membership Insurance Application
 - 9) Pens – Black, Blue and Red
 - 10) Table of Rebates
 - 11) Forms – MAF, LAF, ELAF

Recording

- 1) Permanent ink shall be used in recording entries in all forms. **PENCIL IS NOT ALLOWED**
- 2) Always indicate events for non-collection on the schedule, regardless of whether client paid or not. E.g. Sept 1-Baguio Day, Oct 21-typhoon
- 3) The responsible AO in the loan register in the field shall immediately record payments. Recording in temporary sheet is not allowed.
- 4) Loan and LGF payments shall be recorded using the following ink colors:
 - Black - payments made during meeting day & time at the designated meeting place.
 - Payments submitted within the week or the following week in lieu of holidays and staff trainings or other events when the AO did not collect on the field.
 - Blue - payments made after the meeting time or after collection list is closed but within the meeting week.
 - Red - payments made after the meeting week.

Erasures

- 1) Erasures should, as much as possible, be avoided in all forms. For errors, put a cross slash mark on the text where the original text is still visible then countersign.
- 2) **WHITE INK OR CORRECTION TAPE IS NOT ALLOWED.**
- 3) The names of the clients who have terminated their membership shall not be written over in the loan register to accommodate new clients. Instead, a new page with an updated list of clients shall be taped and inserted in the loan register. The additional page shall be initialed by the AO and countersigned by the BO.
- 4) The following should be observed:
 - Group leader/treasurer to record group payments in the GCL. Clients should affix signatures in the GCL.
 - Group leader/treasurer will record payments of clients in the GCL. Clients/representatives should affix their signatures in the GCL.
 - Group leader/treasurer will record loan repayment and LGF deposit in PB.
 - AO to check and verify entries in GCL and PB then sign.

- AO to issue ORs for payments in the field and indicate OR number as reference in GCL and PB.

LGF withdrawal in the field

- 1) Allowed for amounts up to P1,500.00
- 2) AO to use LGF withdrawal slip and DM for loan payments.
- 3) In cases where borrower's cash is not enough for loan payments and will use LGF to complete amortization, procedure is as follows:
 - Issue OR for the cash payment then
 - Use DM for the remaining balance.
 - In this case, crediting LGF first then using DM for the full amortization amount will not be allowed.
- 4) Client should sign on the PB, LGF withdrawal slip and DM to confirm LGF withdrawal. Authorization by the client is not allowed.
- 5) Indicate DM number as reference in GCL and PB

Return in the field

- 1) Allowed for LGF balances up to P1,500.00
- 2) AO to conduct exit interview
- 3) Use DM and Return slip for returns
- 4) Indicate DM number as reference in GCL and PB
 - After recording and checking transactions in the group, update LOR. This should be done in the group area collection.
 - Deposit all collections in the designated bank before reporting back to the office. Collections that were not deposited within in the day due to office payments after banking hours or field collections that are far should be deposited the next banking day. Cash-on-hand should be submitted to the BO or Treasury Assistant for safekeeping in the vault. Endorsement should be documented for accountability.
 - Summarize transactions in the DCIS daily. To be accomplished in the office. DCIS should have attached supporting documentation for all transactions – ORs, DMs, LGF Withdrawal/Return Slip, GCL, passbooks of clients who withdraw their LGF for loan payments and others. DCIS should be updated. Beginning balance and cash-on-hand should be filled out. To facilitate updated report, cut-off for DCIS report will be 4:00pm. Payments after 4:00pm will be included in the next reporting date and the time of collection should be noted on the receipt.

2. Loan Guarantee Fund (LGF)

This is to partially guarantee the borrower's loan since loans do not require collateral (up to P80,000). Further, this intends to build-up savings behavior of members.

a) Minimum LGF

- P50.00/week
- First loan cycle, required LGF before loan application is P50.00.
- For succeeding loan cycles, required maintaining balance (RMB) of LGF is 20% of principal loan amount up to P15,000.00. For amounts more than P15,000.00 RMB of LGF is 30% of principal loan amount.
- For clients with no loans the RMB is reduced to P200.00.

- The LGF balance of clients with no loans but still wish to take a loan within a period of 6 months should not exceed 50% of their highest loan principal. Otherwise, their LGF balance should be maintained at Php200.
 - e.g. a) If the highest loan principal is Php30,000 the accumulated LGF balance should not exceed Php15,000.
 - b) If the client's full payment is in May and will not take a loan by November the client should withdraw LGF and maintain Php200.
 - The loan principal should always be higher than the LGF balance. In cases where clients apply for a loan amount lower than their LGF balance, they will have to withdraw the excess LGF before processing their loan application.
- b) LGF Withdrawal
- LGF in excess of RMB may be withdrawn by the client.
 - Client should sign on the PB, LGF withdrawal slip and DM to confirm LGF withdrawal. Authorization by the client is not allowed.
 - Only 2 LGF withdrawals per month is allowed – field or office transactions
 - For returning clients, 3rd LGF withdrawal will be allowed
 - When a client wishes to withdraw his/her savings in the field but the group collection falls on a “*target collection*”, the client may withdraw in the office in cash provided the following conditions are met:
 - i. The payment submitted to the office should be a group collection.
 - ii. The MSS will facilitate the LGF withdrawal then update the Group Collection List.
 - iii. The Group Collection List report should reflect cash net of the LGF withdrawal.
 - iv. All required attachments as in the LGF field withdrawal shall apply.
 - Other instances where an AO is not able to visit the group on their collection schedule will not be allowed
- c) Interest on LGF
- Interest on LGF is given to clients as an incentive for good repayment and consistent LGF deposit. Interest is at 7% annually or 0.583% monthly.
- d) Qualifications for LGF computation. Clients qualified for LGF interest should be borrowers at the time of computation.
- Total exemption
- Rest period (months where there is no loan) exceeding 3 months. e.g. borrower in June but no loan from January, February, March and April
 - Forwarded past due for 2 months, regardless if consecutive or not. e.g. forwarded past due in February and April
- Monthly exemption
- Past due for the month
 - Rest period
 - LGF less than P1,000
 - More than 1 LGF default
- e) Computation. Forwarded balance is regulated but the actual LGF deposit for the month will be computed for interest.

| Options | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun | Tot LGF Interest |
|--|--------|--------|--------|-------|-------|-------|-------|-------|--------|--------|--------|--------|------------------|
| OPTION IV. RMB and actual LGF | | | | | | | | | | | | | |
| Principal loan | 10,000 | 10,000 | 10,000 | 8,000 | 8,000 | 8,000 | 8,000 | 8,000 | 11,000 | 11,000 | 11,000 | 11,000 | |
| RMB | 2,000 | 2,000 | 2,000 | 1,600 | 1,600 | 1,600 | 1,600 | 1,600 | 2,200 | 2,200 | 2,200 | 2,200 | |
| Forwarded balance | 2,350 | | | | | | | | | | | | |
| a. Weekly LGF actual mir | 200 | 250 | 200 | 250 | 200 | 200 | 250 | 200 | 200 | 200 | 250 | 200 | |
| Monthly balance | 2,200 | 2,250 | 2,200 | 1,850 | 1,800 | 1,800 | 1,850 | 1,800 | 2,400 | 2,400 | 2,450 | 2,400 | |
| LGF interest | 12.83 | 13.12 | 12.83 | 10.79 | 10.49 | 10.49 | 10.79 | 10.49 | 13.99 | 13.99 | 14.28 | 13.99 | 148.08 |
| b. Weekly LGF actual higher than min | 400 | 350 | 200 | 300 | 300 | 300 | 350 | 200 | 400 | 250 | 300 | 200 | |
| Monthly balance | 2,400 | 2,350 | 2,200 | 1,900 | 1,900 | 1,900 | 1,950 | 1,800 | 2,600 | 2,450 | 2,500 | 2,400 | |
| LGF interest | 13.99 | 13.70 | 12.83 | 11.08 | 11.08 | 11.08 | 11.37 | 10.49 | 15.16 | 14.28 | 14.58 | 13.99 | 153.62 |
| c. Weekly LGF with withdrawal | 200 | 250 | 200 | 150 | 200 | 200 | 250 | 200 | 200 | 200 | 250 | 200 | |
| Monthly balance | 2,200 | 2,250 | 2,200 | 1,750 | 1,800 | 1,800 | 1,850 | 1,800 | 2,400 | 2,400 | 2,450 | 2,400 | |
| LGF interest | 12.83 | 13.12 | 12.83 | 10.20 | 10.49 | 10.49 | 10.79 | 10.49 | 13.99 | 13.99 | 14.28 | 13.99 | 147.50 |
| d. Weekly LGF with rest period in loan | 200 | 250 | 200 | 250 | 200 | 200 | 250 | 200 | 200 | 200 | 250 | 200 | |
| Monthly balance | - | - | - | 1,850 | 1,800 | 1,800 | 1,850 | 1,800 | 2,400 | 2,400 | 2,450 | 2,400 | |
| LGF interest | - | - | - | 10.79 | 10.49 | 10.49 | 10.79 | 10.49 | 13.99 | 13.99 | 14.28 | 13.99 | 109.31 |

LGF interest = Monthly balance x .00583

Where: monthly balance = forwarded balance + LGF balance for the month
forwarded balance should be less than or equal to the RMB

3. Microinsurance

This is intended for risk protection of clients in times of death and sickness.

a) Provider

- In compliance to the memo issued by Insurance Commission /“Joint IC-CDA SEC Memorandum Circular No.01-2010, JVOMFI partnered with Country Bankers Life Insurance Corporation in November 2011 and with Kasagana-Ka Mutual Benefit Association, Inc. in September 2016.

b) Types of Microinsurance

i. Credit Group Life Insurance

- Premium will be taken from the 1% LPCB charge
 - Regular loan 2.9/1,000
 - Emergency loan 1.7/1,000
 - Admin fee is 25%
- Benefit
 - If the borrower dies, the loan balance will be waived and the payments already made will be returned to the client’s beneficiary. This is done after insurance provider approves and releases benefit claims.
 - Release of LGF in favor of dependent will be made only when the claims has been paid by insurance provider.
 - In the event that benefit claim is denied by the insurance provider, loan balance will be deducted from the client’s LGF and remaining balance will be released to the dependent.
 - In the event that the LGF is not sufficient to cover loan balance, amount will be debited from LPCB Fund.

ii. Kasagana-ka Mutual Benefit Association Inc. (KMBA)

- One-time membership fee of P100.00
- Payment per week is P20.00 broken down into P15.00 for KMBA premium and P5.00 for Retirement Savings Fund (RF).
- Premium and RF payment is weekly. Week is based on calendar weeks and not on the loan payment weeks. This means that during holidays of target collections, the client will have to advance weekly premium and RF to remain as an active KMBA member.
- Schedule of benefits

| Length of Membership | Cause of Death or Permanent and Total Disability | Member | Legal Dependent |
|---|---|--------|-----------------|
| Less than 3 months | Pre-existing condition, natural death or accident | 2,000 | None |
| More than 3 months but less than 1 year | Pre-existing condition | 6,000 | None |
| | Natural death | | 5,000 |
| | Accident | 12,000 | |
| More than 1 year but less than 2 years | Natural death | 10,000 | 5,000 |
| | Accident | 20,000 | |
| More than 2 years but less than 3 years | Natural death | 30,000 | 10,000 |
| | Accident | 60,000 | |

| | | | |
|-------------------|---------------|---------|--------|
| 3 years and above | Natural death | 50,000 | 10,000 |
| | Accident | 100,000 | |

- Motor Vehicle Accident and Hospitalization
 - Reimbursement of expenses for hospital confinement of at least 24 hours due to vehicular accident
 - Only for the member and his/her legal spouse
 - Maximum of P10,000 for the duration of membership
- Retirement Savings Fund (RF)
 - 100% return of RF contribution with and interest rate of 2% per annum

4. Emergency Loan

This is intended for urgent needs of clients for business purposes (additional stock, equipment repair) or other family needs (tuition, health-related needs, house repair). Interest rate is at 2% diminishing rate of interest per month for a loan duration of 3 months or 12 weeks. Payment is on a weekly basis, the same schedule as the regular loan.

- a) This is an incentive loan for borrowers on their 3rd loan cycle and with good repayment – 88 to 100% rating assessment for previous loan and current regular loan
- b) Loan amount is maximum of P10,000.00 provided that it will not be more than the current principal loan amount and still within the loanable amount in Cash Flow Analysis of the latest regular loan.
- c) No LPCB charge
- d) Advance payment will be accepted but rebates do not apply.
- e) Re-loans for emergency will be allowed after full payment of previous emergency loan and subject to evaluation.
- f) Attachment should be purchase orders, statement of account, pictures for damages that needs financing or other proof of the need for emergency loan

B. Non-financial

1. Capacity Building Activities

This developmental approach where trainings, seminars and workshops are given to clients intends to assist them in the improvement and expansion of their livelihood activities. This also includes seminars on values and social responsibility to the family and the community.

- a) Topics are based on the identified needs of clients during surveys and evaluations
- b) Budget for these activities are taken from the LPCB Fund.

2. Insurance Claims

It is the obligation of JVOMFI to process claims of clients.

- a) AOs and BOs should secure documentary requirements from clients and beneficiaries
- b) MSS is responsible in checking all documentary requirements for claims

II. Client Incentives

To encourage clients to maintain good repayment and market the product to others. The following are the incentives:

A. Good performance in repayment and attendance

1. Grocery bonanza. Every month, the Branch office will draw winners from groups who attended the monthly meeting. Name of proxy of clients are not included in the names to be drawn.
 - a) AOs to submit the attendance sheets of monthly meetings on the first week of the following month. MSS to purchase grocery items not later than the 2nd week of the following month.
 - b) Gift certificates. Instead of grocery bags, gift certificates worth Php300.00 will be purchased for convenience of the purchaser and the AO who will be bringing the prize to the client.
 - c) Total winners per AO. Each AO will be allotted 2 grocery bonanzas per month. This also means that the cost per branch may differ based on the number of AOs.
 - d) Supplier. To facilitate monthly purchase of the gift certificates, the supplier will be the following:
 - i. Tionsan Supermart for Baguio and La Trinidad branches. This is the more popular grocery store among our clients.
 - ii. Mercury Drug for Bauang branch. As of this time, this is the only grocery store that issues gift certificate in Bauang.
 - e) Clients who won but are no longer with JVOMFI at the time of the draw or are forwarded past due for the month will forfeit their prize. The prize will be added to the next draw date or the BO may opt to draw winners from borrowers during the loan release.
2. Cash incentive for group. Cash incentive is given to groups who are able to meet the following criteria:
 - a) 75% of group members (borrowers and savers) are consistently attending the monthly meeting for the latest quarter (proxy of members are included in the counting)
 - b) No forwarded past due for the month for the latest quarter
 - c) Cash incentive is given quarterly and check payee is the Group Leader

| Number of members | Amount of incentive |
|------------------------|---------------------|
| 15-20 borrowers | P500 |
| 21 and above borrowers | P1000 |

B. Market program to others

1. "Recruit mo, Bayad ko". This is given to clients who were able to invite other new members in the program.
 - a) The recruiting member should be a borrower at the time of the new member's application

- b) Cash incentive is at P25.00 for every new recruit and is given after the disbursement of the 1st loan of the new member.
- c) Incentive starts on the 7th borrower

C. Transfer of membership

1. A returning client due to old age, health reasons, and transfer of residence or employment may opt to transfer membership to the co-borrower 1 or to the spouse if the spouse is not the co-borrower 1. The following should be observed:
 - a) The new member should have the following updated forms – MAF, PB, original copy of Barangay clearance, valid ID with specimen signatures (new member and co-borrower 1), sketch of residence and business location.
 - b) The AO shall conduct CI/BI and update the CI/BI form for the new member.
 - c) The credit rating shall be based on the previous member. This also means that the number of loan cycle continues.

III. Client Treatment

JVOMFI adheres to client protection principles (CPPs) – fair and respectful treatment of clients.

A. Client records

1. Client should always be given proof of payments and deposits
 - Official Receipts
 - Group Collection List – 2nd copy
 - Debit Memo – 2nd copy
 - LGF Withdrawal – 2nd copy
 - Disclosure Statement upon loan release, this is in compliance to the Truth and Transparency in Lending (RA 3765)
2. Passbook should always be with the clients. For PB reconciliation the passbooks should be given to clients within 7 days. Failure to return passbook to the client or to the group leader by the AO will be sanctioned. PB reconciliation is every 2nd Saturday of the month.
3. Offsetting of client's LGF for a group member who is not a co-borrower will be allowed only if there is a written consent by the group member.
4. A co-member who is not a co-borrower who wants to use LGF for loan payment of another group member will have to go through the process of withdrawing LGF. The group members involved will have to make personal agreements on the repayment.
5. A returning client with LGF balance up to P1,500 may transfer the LGF balance to a co-member to be withdrawn on the field. The returning client should write the intent and the name of the co-member on the DM.
6. A co-borrower's LGF should not be used to off-set a matured client's past due without signature in the DM.
7. A borrower who will be going overseas or who has gained regular employment that hinders him/her from complying with the policies will be allowed to transfer membership but should present an authorization. The new borrower should present valid ID with specimen signature. If the incoming borrower is not the spouse, the outgoing borrower should indicate waiver of the LGF in favor of the incoming borrower. The new borrower will have to go through the orientation process before final acceptance to the program.

B. Interaction with clients

1. Greet clients respectfully
 - Address them with Madam/Sir or the vernacular “Manang/Manong”
2. Transparency in information regarding loan status
 - a. Clients should be informed of the status of their membership or loan application.
E.g. Loan amount approved, reasons for disapproval of loan amount applied for, expected date of loan release
 - b. Never commit or give false hopes to clients about the status of their membership/loan application
 - c. For new clients, orientation is conducted before their loan release to ensure that they know the conditions of the loan agreement or promissory note
 - d. Updates about products and services and policies are informed to clients during their monthly meetings
 - e. After loan disbursement, the client should get a copy of his/her amortization schedule, disclosure statement and PB
 - f. Loan and LGF balances of a member should not be disclosed to other group members
3. During loan collection
 - a. AO should be on time for every collection date
 - b. AO should start on time and end on time for the monthly meetings
 - c. AO to collect at the designated area collection
 - d. Always use moderate tone of voice even when talking to delinquent clients
 - e. Implements “individual liability collection practices” – no group contributions for a delinquent member. Only co-borrowers should be followed-up for payments.
4. Client complaints
 - a. Contact details are published in the flip chart used for client orientation for information to clients who may want to submit complaints or concerns regarding the products and services of JVOMFI
 - b. Audit checking will be conducted after receiving the complaint
 - c. If audit result shows that the complaint is valid, PM will forward complaint to the Investigation Committee.
 - d. Action taken or progress on complaints should be checked and included in monitoring of the MEC.
5. Flow chart for grievance procedure for should be posted in the bulletin board
6. Prevention of client harassment or bullying
 - a. For delinquent clients, always use respectful tone of voice at all times.
 - b. AOs and other JVOMFI staff should not ask for favors from clients. E.g.
 - Asking for snacks, commissions or “balato”.
 - Borrowing cash or items from clients.
 - Asking for clients to pay at the office or file loan application at the office just because the AO forgot to get payments or loan application forms at the designated area collection

7. Prevention of over indebtedness

- Strict compliance to CI/BI
- Acceptance of membership will only be approved for applicants with a maximum membership in two (2) other MFIs and in good standing
- Strict compliance to assessment of cash flow
- Borrowing in behalf of another person will not be allowed, this will be a ground for termination of membership

IV. Field Work During Calamities

It is JVOMFI's priority to keep its staff safe especially during calamities like strong rains, typhoons, landslides and earthquake. The following will be the procedure to be followed:

| Weather Condition | Staff | Group Officers | Clients |
|--|---|--|--|
| Slight rains, no typhoon warning signal | - AO still goes out to the field for collection | - Assist in the collection | - To pay on time. Late payment will be marked accordingly |
| Heavy rains, no typhoon warning signal | <ul style="list-style-type: none"> - AO with areas near the branch office are advised to go for field work. - AO with areas that are far from the branch office that are prone to landslides will stay in the office. AO to advise group leader about collection. - AO should get approvals from BO - Not declared as "target collection" | <ul style="list-style-type: none"> - Group officers, of groups that will not be visited by the AO, will collect payments and bring collection to the branch office when it is deemed safe. - Collections should be submitted within the week or as advised by AO - For group payments submitted in the office within the week, transportation expense will be reimbursed in the branch office – jeepney fare only | <ul style="list-style-type: none"> - To submit payment to the group leader/officer on the day of the scheduled collection. - No marking applied if payments are made within the week or within agreed period with AO |
| Continuous heavy rains for more than 3 days, with typhoon warning signal | <ul style="list-style-type: none"> - AO will stay in the office and advises group leader about collection. - BO to give official announcements - Declared as "target collection" | - Group officers will still collect payments from members and collection to be submitted to the branch office | - To submit payments within the allowable time set by AO |

| Weather Condition | Staff | Group Officers | Clients |
|--|--|--|--|
| Where suspension of work is issued by the ED | <ul style="list-style-type: none"> - No work - AO advises group leader about collection - Declared as “target collection” | <ul style="list-style-type: none"> - Group officers will still collect from members | <ul style="list-style-type: none"> - To submit payments within the allowable time set by AO |
| Other calamities and earthquakes | <ul style="list-style-type: none"> - Wait for advice from management - AO advises group leader about collection - Declaration of “target collection” will be issued by PM after recommendation by BOs | <ul style="list-style-type: none"> - Collect payments of group members when it is deemed safe - Collections will be submitted the branch office as per agreement with the AO | <ul style="list-style-type: none"> - To submit payments within the allowable time set by AO |

Target Collection

This means that the amortization week will be moved the following week. However, for advance payments in lieu of re-loans the counting of amortization week will follow 20-week continuous counting. E.g.

| Amortization schedule | Continuous Counting | Interrupted Counting |
|------------------------------|----------------------------|---|
| March 2 | Loan release | Loan release |
| March 9 | 1 st week | 1 st week |
| March 16 | 2 nd week | 2 nd week |
| March 23 | 3 rd week | 3 rd week |
| March 30 | 4 th week | Target collection due to typhoon signal 3 |
| April 6 | 5 th week | 4 th week |
| April 13 | 6 th week | 5 th week |
| April 20 | 7 th week | 6 th week |
| April 27 | 8 th week | 7 th week |
| May 4 | 9 th week | 8 th week |
| May 11 | 10 th week | 9 th week |
| May 18 | 11 th week | 10 th week |
| May 25 | 12 th week | 11 th week |
| June 1 | 13 th week | 12 th week |
| June 8 | 14 th week | 13 th week |
| June 15 | 15 th week | 14 th week |
| June 22 | 16 th week | 15 th week |
| June 29 | 17 th week | 16 th week |
| July 6 | 18 th week | 17 th week |
| July 13 | 19 th week | 18 th week |
| July 20 | 20 th week | 19 th week |
| July 27 | | 20 th week |

Due to the target collection on March 30, the due date will be moved to July 27 instead of July 20. However, if the client will re-loan on her 16th week, the 16th week to be considered for rebates and re-loan will be the continuous counting which is June 22.

Other application for “target collection” is branch wide internal or external seminars or trainings.

V. Group Formation and Termination of Membership

A. Group formation

- 1) Formed by at least 6 members who are borrowers
- 2) Only one member per household
- 3) Members can be male or female
- 4) The group should elect among themselves a group leader, treasurer/secretary
- 5) Collection area should preferably be residence or area of business of a member
- 6) Provide seats and table for the convenience of staff and member during collection and scheduled meetings.

B. Group officers' responsibilities

Group officers are appointed or elected by the members and thus they are expected to abide to the policies and procedures of the program. They are expected to be the role models within the group. They are not entitled to receive any honorarium. Set of officers are scheduled to change every 2 years but may be retained depending on the request of the members. In cases where there is no Secretary elected, the Treasurer can also assume the role of the Secretary.

| Group Leader | Treasurer | Secretary |
|---|--|---|
| <ul style="list-style-type: none">- Manages group members- Conducts initial screening of members- Co-facilitates monthly meetings- Helps AO to follow-up delinquent clients- Supervises functions of treasurer and secretary- Recommends and approves loan application of members- Resolves problems and concerns arising within the group. | <ul style="list-style-type: none">- In charge of the group collections. Records members' payments in the Group Collection List- Responsible for proper handling of all accountable forms such as Passbook, which include proper filing of Group Collection List folder. | <ul style="list-style-type: none">- Checks attendance of members during monthly meetings- Takes minutes of the meeting- Responsible in handling group's own record of payments and attendance |

C. Group closure

Groups are recommended for closure if the following are encountered:

- 1) Existing for more than 2 years with less than 6 active member borrowers. AO with 300 clients may have a group with less than 6 active member borrowers provided the area is close to other collection areas for the purpose of saving on transportation expenses.
- 2) Not functional group officers and with no willing replacements.
- 3) 50% of members are already delinquent.

D. Group merging

Good performing members of a certain group is recommended to merge in a nearby group if willingly accepted by the members.

E. Termination of group officers.

Group officers may be terminated from their positions for the following reasons:

- 1) Inactive borrower for more than 1 year or no capability to act her duties and responsibilities.
- 2) Uses her authority to go against the policies and procedures of the program.
- 3) Delinquent in payment.
- 4) Unwilling to perform responsibilities as an officer

Officers shall be replaced immediately when needed after confirmation of Branch Officer on the grounds of termination from officership.

F. Termination of individual membership

Individual membership are terminated for the following reasons:

1) Voluntary

- When client willingly leaves the group and so pays loan balance and withdraws LGF balance

2) Termination by group members

- Anti-organization or anti-group activities, poor moral character
- If the group unanimously adopts a resolution to terminates one's membership
- Member used collection or payment of members for personal use.

3) Automatic termination by JVOMFI

- Death of the member
- Acquired or recently developed mental insanity or retardation
- False declaration or falsification of documents
- Proven to have borrowed in behalf of another person or shared loan with another person
- Without loans for more than one (1) year. – remaining LGF will be accounted as unclaimed LGF deposit
- Upon maturity of delinquent member's loan when during offsetting - LGF balance is equivalent to her loan balance plus service charge and penalty

Service Charge

For every account closure or membership return, a service charge of 100.00 is deducted from LGF balance. If LGF balance is not sufficient, the member has to pay in cash for the service charge.

VI. Portfolio Measures and Microfinance Standards

Allows the institution to examine financial relationship and should be monitored regularly to measure performance. Quality of portfolio – principal amount of loan balances outstanding: Largest asset, Generate income, Main product of the program

A. Performance Ratios And Loan Portfolio Quality

| INDICATOR | RATIO | MEASUREMENT | Standard |
|--|--|--|----------|
| Portfolio at Risk (PAR) by Age - Best indicator for assessing the risk of potential losses | Loan balances with 1 day or <u>more days missed payments</u> Gross loan portfolio Standard: PAR% should be less than 5%. | a. Answers the question” How much could you lose if all late borrowers default?” b. Portfolio aging separates more risky loans from less risky. c. The longer a loan goes unpaid, the higher the risk it will never be paid. | 5% |
| Repayment Rate | Target Collection for this <u>period(current and past due)</u> Targeted amount due for this period + amount of past due from previous periods | a. Shows amount paid compared to amount due or expected during a specific period. b. Does not provide useful information about the performance of the outstanding portfolio. c. Good for cash-flow planning | 95% |

B. Performance Standards for Microfinance (Performance Standards for Philippine Microfinance, BSP Circular 570 series of 2007)

| Indicator | Definition/Ratio | Standard | Weight | Score | Equivalent Points |
|--------------------------|--|--|-----------|---|--------------------------|
| PORTFOLIO QUALITY | | | 40 | | |
| Portfolio at Risk | Balance of loans with at <u>least one day payment</u> Total Loans Outstanding | PAR-1 is 5% | 20 | 5% or less >5% to 10% >10% to 15% >15% to 20% above 20% | 20 15 10 5 0 |
| Loan Loss Reserve Ratio | Total Allowance <u>Provided</u> Total Required Allowance | Required Allowance: Current – 1% PAR 1 to 30 –2% PAR 31 to 60 – 20% | 20 | 100% 70% to <100% 50% to <70% | 20 15 10 5 0 |

| Indicator | Definition/Ratio | Standard | Weight | Score | Equivalent Points |
|---------------------------|---|---|-----------|---|--|
| | | PAR 61 to 90 – 50% PAR 91 & above and/or loans restructured twice – 100% | | 30% to <50% below 30% | |
| EFFICIENCY | | | 20 | | |
| Administrative Efficiency | Administrative Costs ^{1/} (Direct & Indirect Costs ^{2/}) Average Gross Loan Portfolio ^{3/} | 20% and below | 10 | 0 to 20% >20% to 25% >25% to 30% above 30% | 10 6 4 0 |
| Loan Officer Productivity | <u>No. of Active Borrowers</u> No. of Account Officers | Group – ≥ to 300 Individual - ≥ to 150 | 10 | For group loans: 300 and above 250 to 299 200 to 249 below 200 For individual loans: 150 and above 100 to 149 50 to 99 below 50 Note: If an MFI uses only 1 methodology, an MFI gets an | 5 3 1 0 5 3 1 0 |

| Indicator | Definition/Ratio | Standard | Weight | Score | Equivalent Points |
|------------------------------|--|---|-----------|--|----------------------------|
| | | | | additional 5 points | |
| SUSTAINABILITY | | | 25 | | |
| Operational Self-sufficiency | Interest Income from Loans + Service Fees + Filing Fees + Fines, <u>Penalties</u> , <u>Surcharges</u> Financing Costs + Administrative Costs (Direct & Indirect costs) | ≥ 120% | 5 | 120% and above 115% to <120% 110% to <115% 105% to <110% 100% to <105% below 100% | 5 4 3 2 1 0 |
| Financial Self-sufficiency | <u>Operating Revenue</u> Financial Expense + Loan Loss Provision Expense + Adjusted Expenses ^{4/} | ≥ 100% | 5 | 100% and above 95% to <100% 90% to <95% 85% to <90% 80% to <85% below 80% | 5 4 3 2 1 0 |
| Loan Portfolio Profitability | <u>Net Operating Income</u> Average Net MF Loan Portfolio | Greater than inflation rate during the period | 5 | Greater than inflation rate Equal to inflation rate Less than inflation rate | 5 3 0 |
| Return on Assets | Net Operating Income - <u>Taxes</u> Average Assets | 5% | 5 | 5% and above 0 to <5% below 0 | 5 3 0 |

| Indicator | Definition/Ratio | Standard | Weight | Score | Equivalent Points |
|---------------------------------------|--|--------------|------------|---|----------------------------|
| Return on Equity | Net Operating Income – Taxes Average Equity | 10% | 5 | 10% and above 5 to <10% 1 to < 5% 0 to <1% below 0 | 5 4 3 2 0 |
| OUTREACH | | | 15 | | |
| Growth in Number of Active MF Clients | Ending No. of Active MF Clients ^{5/} – Beginning No. of Active <u>MF</u> Clients Beginning No. of Active MF Clients | Increasing | 5 | 5% or higher 0 to 5% below 0 | 5 3 0 |
| Growth in MF Loan Portfolio | Ending MF Loans Outstanding – Beginning MF Loans Outstanding <u>Outstanding</u> Beginning MF Loans Outstanding | Increasing | 5 | 5% or higher 0 to 5% below 0 | 5 3 0 |
| Depth of Outreach | Total Loans Outstanding ÷ Total <u>Number of Borrowers</u> GNP per Capita | 20% or below | 5 | ≤ 20 >20 – 100 >100 – 150 >150 – 200 >200 – 300 >300 | 5 4 3 2 1 0 |
| TOTAL | | | 100 | | |

^{1/} Administrative cost should include loan loss provision expense.

^{2/} (Beginning Gross Loan Portfolio + Ending Gross Loan Portfolio) ÷ 2

3/ **Indirect Costs** are allocated in proportion to the number of personnel directly dedicated to each cost center. Indirect cost allocated to the microfinance operations is computed as:

Indirect Costs = (Number of Full-time MF Staff ÷ Total Number of Personnel) x Total Indirect Costs

Where:

- **Full-time MF Staff** – refers to employees working full-time in the microfinance operations regardless of employment status, i.e., whether contractual or regular.
- **Total Indirect Costs** – refers to costs shared by both the microfinance and non-microfinance operations. It includes, among others, salaries and benefits, rent, office materials and supplies, publications and publicity, transportation, travel and training for overhead staff, telephone and postage, insurance, utilities, repairs and maintenance, legal, audit and consultant fees, bank charges, taxes, and depreciation.

4/ **Adjusted Expenses** = Total Operating Expense + [(Average Equity – Average Fixed Assets) x Inflation Rate] + [(Market Interest Rate x Average Total Liabilities) – Actual Interest Expense] + Other Implicit Costs. Other Implicit Costs include those costs relevant to the conduct of its business such as grants, rent free building, donor paid technical advisor, or other subsidized expenses.

5/ Active MF clients shall be those clients with savings and/or loans.

C. Write – Offs

1. Loan losses that occur when it is determined that loans are unrecoverable. This is done at the end of the fiscal year upon recommendation of PM and the Executive Director and approval of the Board of Trustees.
2. For accounting purposes, it is removed from the gross portfolio but staff continue to exert effort to collect the delinquent account.
3. Reflected as other income when collected

VII. Delinquency Management

The JVOMFI operations applies delinquency management principles to attain desirable repayment rate to effectively sustain its operations.

A. Definition of terms

- A. Delinquency/ Delinquent/Past due
 - i. A situation that occurs when borrower fails to pay on the specified date and time
 - ii. Also referred to as arrears or late payments, measures the percentage of a loan portfolio at risk (PAR).
 - iii. Occurs when one loan payment is one day late
- B. Default - Occurs when a borrower failed to pay her loan amortization
- C. Sit-down - The act of following - up delinquent clients
- D. Aging - List of borrowers showing past due accounts and its maturity

B. Reasons for delinquency

The following are some reasons of delinquency and therefore should be prevented by the AO/BO:

1. Mismanagement of group by the AO
 1. No regular meetings conducted

2. Improper turnover of accounts from AO to another AO
3. Consistent late payments of members
2. Failure to implement policies and procedures
3. Allowing membership of clients who did not meet qualifications and requirements
4. Failure to conduct proper CI/BI
 - a. Did not visit the member's residence
 - b. Did not visit the member's place of business
 - c. Did not interview neighbors relatives and co-borrower
 - d. Over-estimated capacity of client. Did not diligently interview for client's Cash Flow Analysis
 - e. Failed to conduct immediate follow-up upon default of client
 - f. Formation of a group in an strictly agricultural area where borrower has no other income source besides agriculture
 - g. Formation of a group in areas prone to droughts, flooding, typhoon and storms and natural calamities.
 - h. Multiple loans of the members
 - i. Allowing members to borrow in behalf of other persons

C. Costs of delinquency

Delinquency is expensive because it affects the following:

1. Slows down growth of portfolio
2. Delays earnings
3. Increases collection costs(visits, legal costs)
4. Decreases the possibility to expand its operation
5. Threatens the long-term institutional viability

D. Financial impact of delinquency or default

1. Provision for loan impairment (bad debts) – non- cash expenses
2. Decrease income
3. Written –off loans requires decapitalization

E. Action to be taken by Staff

Determine the number of defaults and follow the necessary actions to be taken:

| Number of defaults | Action to be taken | Person Involve |
|--|--|--|
| One (1) unpaid installment/late payments (one week default) | <ul style="list-style-type: none"> - Immediately inform the group leader and co-borrower - Call and text borrower - Sit-down with monitoring form | <ul style="list-style-type: none"> - AO |
| Two (2) unpaid installments (two weeks default) | <ul style="list-style-type: none"> - Remind borrower and co-borrowers through call or text - Conduct sit-down and determine the reason for delinquency | <ul style="list-style-type: none"> - AO - BO - Group Leader - Co-borrower 1&2 - Relatives |

| Number of defaults | Action to be taken | Person Involve |
|--|---|--|
| | <ul style="list-style-type: none"> - Issue letter to borrower signed by BO - Suspension of co-borrower's LGF withdrawal | |
| Three (3) unpaid installments (three weeks default) | <ul style="list-style-type: none"> - Conduct group sit-down - Issue letter to co-borrowers signed by BO | <ul style="list-style-type: none"> - AO - BO - Group Leader - Co-borrower 1&2 - Relatives |
| Four (4) unpaid installments and above (four weeks default) | <ul style="list-style-type: none"> - Suspension of co-borrower's loan processing - Conduct group sit-down | <ul style="list-style-type: none"> - AO - BO - PM - Co-borrower 1&2 - Relatives |
| 31-60 days of past due | <ul style="list-style-type: none"> - Contact relatives listed on the MAF - Oblige the co-borrowers to pay - Notice of final demand signed by BO | <ul style="list-style-type: none"> - AO - BO - PM - Co-borrower 1&2 - Relatives |
| 61 – above 90 days of past due | <ul style="list-style-type: none"> - Demand letter from Atty. Rondez - Small claims, this will be per recommendation of PM and approval of Executive Director. Recommendation will be made if the expected collection is higher than the estimated cost of filing and other expenses - Brgy Case - Consistent follow- ups | Same as above |

VIII. Branch Opening

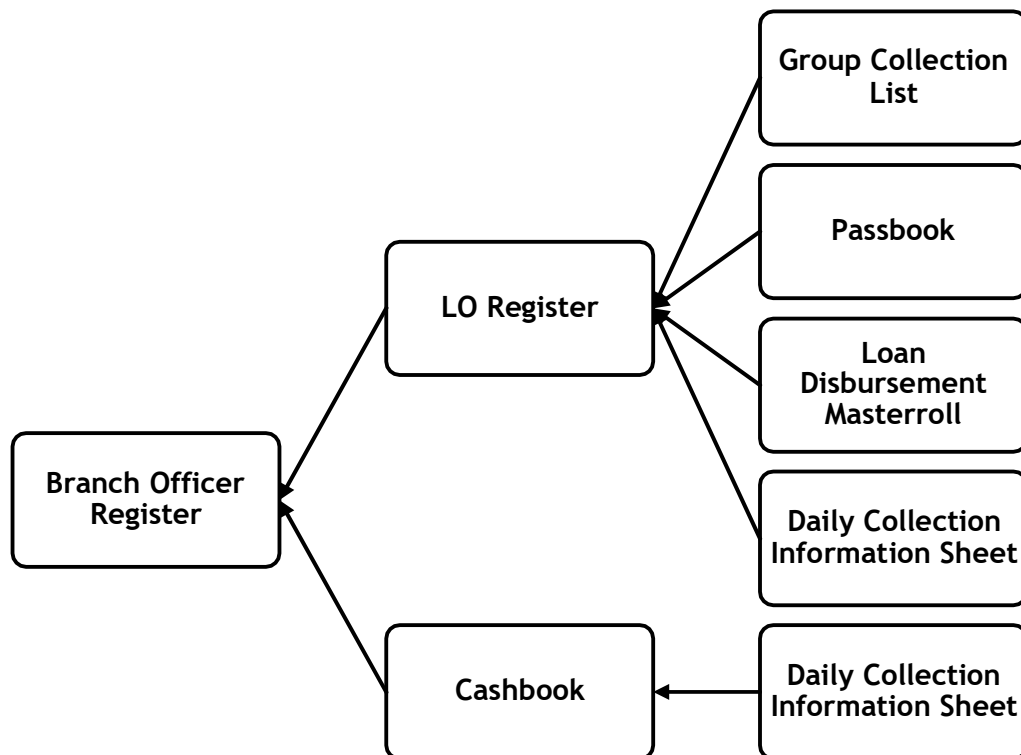
A. Steps to be taken before opening a new branch office and implementing the MF program in a new area, adapted from JVOMFI New Market Expansion Toolkit developed by Melbourne Microfinance Initiative:

- A. Outline clear objectives that the expansion should aim to achieve – include a review of all possible expansion options as well as defining any other strategic goals of the project.
- B. Conduct secondary research of the expansion region – involves researching and extracting relevant information from available resources, such as online publications, government websites, books, research papers, and journal articles. Also, includes identifying the present financial institutions in the area.

- C. Develop primary research approach – designing a comprehensive survey, which aims at addressing key issues such as customer demand and borrower requirements.
- D. Consult regional authorities and experts – conduct a meeting with local government officials such as Barangay Captain, Municipal Mayor and others to be recognized and aware of the program.
- E. Conduct primary research – involves interviewing potential clients in the areas that you plan on expanding to using the survey developed in step 3.
- F. Analyze survey findings and interview responses – analysis of data are undertaken.
- G. Conduct financial analysis to evaluate quantitative data – construct a financial model to provide quantitative evidence for a possible market expansion.
- H. Draw conclusions about expansion decision and possible approach – generate an overall conclusion about the expansion decision. In addition, recommendations are given about specific ways to approach the expansion.
- I. Outline risks and mitigations – identifies the risks faced and methods to mitigate them.
- J. Outline an implementation timeline
- K. Present proposal to the Executive Director up to the Board of Trustees for their approval.

IX. Branch Office Records and Documentation

The flowchart below shows the books and records keeping system of a branch office. The flow of record keeping starts from the right: Group Collection List, Passbook, Loan Master roll Disbursement, Daily Collection Information Sheet.



- A. **Passbook**
It is the personal record of the member's loans and LGF. All transactions made by the member with the AO such as deposits and withdrawals, loan proceeds and payments must be recorded in the passbook. The AO must sign to signify receipt of cash from the member.
- B. **Loan Disbursement Master roll**
All loan disbursements are recorded in this form. The BO will disburse loan through checks prepared by Accounting. The AO in charge of the members whose loans are released should affix his signature to attest that the right person has taken the loan.
- C. **LGF and Loan Register (LOR)**
The responsible AO maintains this record. One register is good for a maximum of four groups per day. The AO prepares a weekly summary of AO register every Fridays. The AO updates the register on a daily basis during collection time.
- D. **Daily Collection Information Sheet (DCIS)**
Right after the group meeting or collection, the figures appearing in the LOR must be recorded in the DCIS by respective AOs. All collections during meeting time are deposited directly to the bank by the AOs. Any collections after banking hour are turned over to the SS for counterchecking against the DCIS and then a copy is turned over to the Bookkeeper. The cash on-hand is deposited the next banking day.
- E. **Cashbook**
The BO or designated AO maintains this cashbook. All cash transactions for the day are recorded in this book. The purpose of the cashbook is to monitor the cash balance at the end of the day and to ensure that all cash transactions for the week tallies with weekly LGF and loans with DCIS, Loan master roll and loan and LGF Register.
- F. **Branch Officer Register**
The BO will accomplish the BO register on a weekly basis (e.g. on Fridays). The information in this register is taken from the weekly summary of AO registers. The figure of the BO register should be the same as the total summary of all AO registers. To prepare this register, the collection sheet and the cashbook will be the basis and should be crosschecked with AO registers.
- G. **Group Collection List (GCL)**
It is where the payments are recorded during collection time only. The group officers are the only authorized person to update the GCL form. It should be properly maintained for future references.
 - 1. original copy - submit it to the bookkeeper
 - 2. duplicate copy - file it to the group folder

X. Forms and their Uses

- A. **Membership Application Form (MAF with PPI)**
It is used by an applicant to fill up all necessary information needed before conducting a background investigation. PPI provides applicant's score based on poverty likelihood indicators.
- B. **Credit and Background Investigation Form (CIBI)**
It is used as an additional form when conducting credit and background investigation to the applicant.
- C. **Loan Application Form (LAF)**
It is used for loan application of a member.
- D. **Emergency Loan Application Form (ELAF)**
It is used for emergency loan application of a member.

- E. Cash Flow Analysis Form (CFAF with PPI)
It is used to analyze client's cash flow as basis for debt capacity.
- F. Change of Co-Borrower Form (CGF)
It is used every time a member will change her guarantor.
- G. Client Exit Form (CEF)
It is used when a client will exit or returned her membership to the program.

XI. Financial Policies and Procedures

JVOMFI outsources financial services from JVOFI. It is the policy of JVOMFI to effect timely and accurate recording of its financial transactions, ensure the systematic maintenance of accounting records for the generation of accurate financial reports that serve as basis for efficient management of financial resources and for upholding accountability and transparency to its stakeholders.

- A. Financial Planning
JVOMFI prepares an annual budget based on its five-year strategic plan, annual plans approved by its Board. The budget is a tool to monitor and assess performance. It is used to efficiently manage financial resources, ensuring funds are available for payments and expansion, and that JVOMFI does not spend beyond its capabilities.

Definition of terms:

- Budget. A budget is an estimate of costs, revenues and resources over a specified period. A budget serves also as a (1) plan of action for achieving quantified objectives, (2) standard for measuring performance, and (3) device for coping with foreseeable adverse situations (<http://www.businessdictionary.com>)
- Budgeting. Budgeting is the process of expressing quantified resource requirements (i.e., amount of resources, number of people) into time-phased goals and milestones. (<http://www.businessdictionary.com>)

Guidelines:

- The annual budget is prepared according to the approved strategic plan, project proposals approved by donors and other policies set by the Board.
- The budgets shall include both the sources and uses of funds.
- An annual budget shall be prepared based on the programmed activities for the fiscal year.
- Program costs are budgeted according to work plans and budgets approved by donors.

Procedures:

1. The Finance Manager prepares the personnel cost which shall include the following:
 - Basic salary and corresponding merit increases due to performance evaluation
 - Other benefits and allowances, if any, such as but not limited to housing and transportation allowance, project allowance, cost of living allowance, insurance, medical benefits, monetized sick/vacation leaves, 13th month pay, retirement

- Estimated company share on government-mandated benefits, i.e., SSS, Philhealth, HDMF
 - Estimated income tax on compensation
 - Monthly personnel cost
 - Annual personnel cost
2. The Finance Manager prepares budget guidelines prior to the close of every fiscal year. The budget guidelines shall include the following:
 - Computation of personnel cost
 - Current fund balances of program funds.
 - Templates and worksheets
 - Reminders which may include, but not limited to the following:
 - ✓ Budget shall still be based on the approved five-year strategic plan.
 - ✓ Only approved projects covered by signed grant agreements or grant agreements already with JVOMFI due for signature by the Chairman/President are to be included in the budget, except for continuing projects.
 - ✓ The net balance of projected revenue over expenses should be ZERO or POSITIVE. NO negative projections/ deficit should be budgeted. The PM should identify measures to cover the deficit.
 3. The internal memorandum on budget guidelines is approved by the Executive Director and is provided to the PM.
 4. The PM, in coordination with other members of JVOMFI, prepare their annual budget and is submitted to the Executive Director for approval.
 5. The Executive Director inputs/comments on the submitted budgets which are updated/edited by the said units.
 6. The PM forwards the e-copy (through e-mail) of their budgets to the Finance Manager once these are approved by the Executive Director.
 7. The Finance Manager prepares the following and submits to the Executive Director:
 - consolidated budget based from the budgets submitted by all the units
 - current fiscal year variance report (budget versus actual revenues and expenses)
 - memorandum to the Finance Committee seeking for approval of the budget
 8. Comments/inputs of the Executive Director are incorporated on the reports/documents.
 9. The documents are approved by the Executive Director.
 10. The Finance Committee reviews the annual budget and endorses it to the Board of Trustees.
 11. Comments/inputs by the Finance Committee are incorporated on the budget, which is to be presented to the Board of Trustees.
 12. The Board of Trustees approves the annual budget within the first quarter of the fiscal year.
 13. Any major change in the approved budget will require the submission of a realigned budget to the Finance Committee and the Board. Any major change in the budget of restricted funds requires the prior written approval of donors.
 14. At the end of each month, the Finance unit shall prepare, as part of the Financial Reports, a variance report showing the difference of the budget per unit and institutional versus the actual expenditures. Variances which are at least 10% of the budget are explained.

B. Internal Control System

Book of Accounts

Guidelines:

- JVOMFI uses the IntAcct system to record transactions. Access to computerized accounting data shall be restricted.
- No changes in recorded transactions shall be made without approved journal vouchers signed by the Finance Manager.
- The Finance Manager shall review reconciling items to ensure that long-outstanding or abnormal balances are followed-up.
- Vouchers and supporting documents shall be filed in an orderly manner and shall be kept for ten years or longer depending on donor requirements.
- Any account to be written off from JVOMFI's books shall be pre-approved by the Finance Committee and the Board of Trustees.

1. Books of Original Entry

- a. Cash receipts journal. All cash receipts which are covered by official receipts are recorded in the cash receipts journal in the computerized accounting system.
- b. Cash disbursements journal. All cash disbursements which are covered by check voucher are recorded in the cash disbursements journal.
- c. General Journal. This journal is being used to record transactions which cannot be recorded in the other books of original entry, e.g. cash receipts journal or cash disbursements journal. A journal voucher is to be prepared in numerical order to support each entry to be made in this book. The said journal voucher can be generated from the computerized accounting system as soon as entries are encoded.

2. General ledger

The general ledger is the book of final entry. All accounts recorded in the books of original entry, e.g. cash receipts, cash disbursements, and general journal, is being posted to this book. The balances of the accounts in the ledger at the end of each month shall become the amounts to be indicated in the financial statements for the month.

3. Subsidiary ledgers

The subsidiary ledgers show in detail the composition of certain control accounts in the general ledger. The total of these balances should agree with the related control accounts in the general ledger.

Fund Management

Fund management is undertaken by JVOMFI to ensure that funds are being used for the intended purposes. The policy on fund management seeks to explicitly show the accountable person tasked to handle funds and how the work plan is translated in the financial plan

Definition of terms:

- Fund management. Fund management includes monitoring, managing, implementing and reporting of the sources and uses of fund; cash flow forecasting, cash position reporting, bank coordination, among others.

Activities:

| Activity | Preparation | Review | Approval | Recipient |
|--|--|---|---|--|
| Preparation of budget | Program and Finance staff and officers involved in the activity/ project | PM, Finance Manager, Executive Director | Executive Director; Board of Trustees | Program Unit/s; Finance Unit; Personnel and Admin Unit; Executive Director |
| Cash Flow Forecasting/ Projection | Program and Finance staff and officers involved in the activity/ project | PM; Finance Manager | PM; Finance Manager; Executive Director | Program Unit/s; Finance Unit; Personnel and Admin Unit; Executive Director |
| Coordination with bank | Treasury Assistant; Finance Manager | | | |
| Preparation of daily cash position report | Treasury Assistant | General Accountant | Finance Manager | Executive Director |
| Processing of financial transactions | Bookkeeper | General Accountant | Finance Manager | |
| Investment of funds | JVOMFI for identifying amount of idle funds; Treasury Assistant and Finance Manager for identifying investment tools | PM; Finance Manager | Executive Director; Board of Trustees | |
| Preparation of financial reports (bank reconciliation, financial statements, cost variance report) | Bookkeeper | Accounting Supervisor | Finance Manager | PM; Executive Director |
| Realignment of funds | Program and Finance staff and officers involved in the activity/ project | PM; Finance Manager | Executive Director; Board of Trustees; | |

Cash Receipts

Objective:

- To ensure that controls are established over collections.
- To ensure that collections are protected from misappropriations.

- To ensure that physical access to cash receipts and cash receipt records are limited to authorized personnel.

Forms/Records to use:

- Official Receipt. This is a pre-numbered accountable form by JVOMFI.
- Cash Receipts Journal

Guidelines:

- A separate booklet is used for each project/program being implemented by the Foundation.
- All cash collections shall be covered by pre-numbered and consecutively issued Official Receipts (OR).
- Collections shall not be used to defray expenses.

Procedures:

1. At the time of collection, the cashier will issue OR to acknowledge receipt of payment.
Distribution of copies is as follows:

| <i>Copy</i> | <i>Recipient</i> |
|--------------------|--|
| Original (white) | Payer |
| Duplicate (yellow) | Bookkeeper with supporting documents whenever applicable |
| Third (pink) | Remains in the stub and file of the Bookkeeper |

2. All collections received for the day shall be deposited on the following banking day or as soon as practicable.
3. The Bookkeeper will record cash collections in the computerized Cash Receipts Journal not later than once a week.
4. Voided ORs are stamped as “cancelled” and all the three copies are filed by the Bookkeeper in her stub.
5. A surprise cash count shall be undertaken periodically by the designated Bookkeeper.

Disbursements

To ensure that cash is disbursed only upon proper authorization, for valid business purposes, and that all disbursements are properly supported and recorded, in compliance with applicable donor or regulatory requirements.

Forms/Reports to use:

The following are the forms to be accomplished before payment is made:

- Request for Cash Advance (RCA). Form used whenever a cash advance is made by an employee. Reference is made to the guidelines on Cash Advances and Liquidation for the completion and use of this form. Signatories of the RCA are discussed under “Cash Advances and Liquidation).
- Expense/Liquidation Report (ELR). Form used by an employee for (a) reimbursement of expenses; or (b) liquidation of cash advance wherein the total amount of expenses is greater than the amount of cash advance. Reference is again made to the guidelines on Cash Advances and Liquidation for the completion and use of this form. Signatories of the RCA are discussed under “Cash Advances and Liquidation).

- Request for Payment (RFP). Form used for transactions not falling within the previous two transactions mentioned, i.e., direct payment to suppliers. The RFP is prepared by the requesting staff and is approved by the Program Manager. Payments amounting to at least P5,000 are co-approved by the Executive Director.

The following are the supporting documents for payments:

| Transaction | Supporting Documents |
|---|--|
| Salaries | <ul style="list-style-type: none"> a. Daily Time Record signed by the personnel/staff and noted by the immediate Supervisor and Program Manager b. Approved Authorization for Overtime (duplicate copy), if any, indicating the start and end time of overtime, the unit/project to be charged, and the activities accomplished c. Domestic Travel Request for travels outside area of assignment, when appropriate d. Tracer for travels within area of assignment, when appropriate e. Accomplishment report (for job request) |
| Travel claims (Transportation, meals, accommodation) | <ul style="list-style-type: none"> a. Expense Report/ Liquidation Statement signed by the employee making the liquidation/ reimbursement and noted by the Supervisor. If the immediate supervisor is a manager, the ERLS will be reviewed by the Finance Unit before approval of the form by the Manager (however, all supporting documents should be complete and duly signed). b. Approved Authorization for Overtime c. Approved Domestic Travel Request for travels outside the area of assignment (the time of departure and arrival should be indicated) d. Tracer for travels within the area of assignment, duly noted by the immediate supervisor for travels within the area of assignment (the time of departure and arrival should be indicated). The purpose and project of the errand should be presented. e. Transportation ticket or official receipt (acknowledgement receipt may be used if official receipt is not available) for fares and gasoline consumption f. Official receipt for actual lodging g. Travel /Training / Activity report signed by the preparer and noted by the Supervisor and Program Manager (for travel outside the area of assignment) |
| Catering services | <ul style="list-style-type: none"> a. Approved request for payment b. Approved activity proposal c. Signed catering Service Contract d. Abstract of canvass/quotations e. Requests for Quotation f. Minutes/ Documentation of the event/activity prepared by the assigned documenter and noted by the Supervisor and Program Manager. g. Attendance sheet h. Sanitary permit |
| Reimbursement for community cooking | <ul style="list-style-type: none"> a. Approved activity proposal, indicating the comparison of catering vs community cooking (quotations and abstract included) b. Certificate signed by the Punong Barangay or Barangay Official (for barangay level activity) or Local Chief Executive or Municipal Official (for municipal level activity), stating that there is no registered caterer in the barangay/ municipality. |

| Transaction | Supporting Documents |
|---|---|
| | <ul style="list-style-type: none"> c. Minutes/ Documentation of the event/activity prepared by the assigned documenter and noted by the Supervisor and Unit Manager d. Attendance sheet e. Itemized list of purchases with prices (summary of purchased items) certified by the JVOMFI staff in charge of or attending the activity f. Sales Invoices of the purchased materials, or Acknowledgment Receipts if no invoices are available. The purchased item as well as the quantity should be indicated. |
| Vehicle Service/ Transportation Service | <ul style="list-style-type: none"> a. Approved request for payment b. Vehicle Service Contract c. Abstract of canvass/quotations d. Requests for Quotation (other than the regular rates of the usual service providers) |
| Payment of goods, i.e., medicines, office supplies, etc. | <ul style="list-style-type: none"> a. Approved request for payment b. Approved activity proposal (for direct project costs) or Office Supplies Requisition Form c. Approved Purchase Order or Emergency Purchase Slip for purchases not exceeding P1,500 d. Abstract of canvass/quotations e. Requests for Quotation f. Charge Invoice/ Delivery Receipt from the supplier duly signed as received by JVOMFI staff or partners (applicable to purchases which are not cash on delivery) g. Minutes/ Documentation of the event/activity prepared by the assigned documenter and noted by the Supervisor and Program Manager (for direct project costs) (applicable to purchases which are not cash on delivery) h. Attendance sheet (for direct project costs) (applicable to purchases which are not cash on delivery) |
| Capital assets (property and equipment with cost of more than P5,000) | <ul style="list-style-type: none"> a. Approved request for payment b. Capital budget proposal approved by the Treasurer, with the approved budget for the year c. Approved Purchase Order d. Abstract of canvass/quotations e. At least three (3) Requests for Quotation f. Charge Invoice/ Delivery Receipt from the supplier duly signed as received by JVOMFI staff or partners (applicable to purchases which are not cash on delivery) |
| Meeting | <ul style="list-style-type: none"> a. Minutes of the meeting b. Attendance sheet c. Receipt/s for the purchase of food |
| Cash Advance | <ul style="list-style-type: none"> a. Approved cash advance form b. Approved Activity Proposal c. Requests for Quotation and Abstract of Canvass/Quotation for advances for the purchase of supplies, catering services, hiring of vehicle |
| Repairs; Janitorial Services; On-call driver | <ul style="list-style-type: none"> a. Approved request for payment b. Job Request c. Contract with on-call driver d. For on-call driver, Admin Unit to check vehicle before and after the travel prior to release of payment |

| Transaction | Supporting Documents |
|--|--|
| | Note: The approved Vehicle Reservation Request and approved Domestic Travel Request are required documents for the preparation of the Job Request. |
| Reimbursement for Medical/ Dental Benefits | a. Sales invoice/ Official receipt b. Prescription by the medical practitioner for the medicines/supplies c. Medical certificate |

Guidelines:

- All disbursements shall be made by check, except (1) petty expenses not to exceed One Thousand Five Hundred Pesos and which are payable to officers and employees; and (2) payroll which is automatically debited from the bank account of the Foundation through an approved debit advise. As much as possible, payments to suppliers and other parties shall be made in check.
- The Bookkeeper is the custodian of all check-books and passbooks. Check disbursements should be supported by a pre-numbered check voucher duly approved by the authorized signatories.
- Checks shall be signed by two (2) authorized signatories.
- Payments in excess of the signing limits of authorized signatories shall not be divided among several checks to circumvent the signing limit.
- Checks shall be issued in sequence.
- Checks shall be made payable to a particular payee and never to “Cash” or “Bearer”.
- No blank check payments shall be signed in advance.
- No erasures shall be made on checks. Erroneous checks shall instead be cancelled and a new check bearing the correct information shall be made.
- No disbursements shall be taken from un-deposited collections.

Procedures:

1. Check Payments

- a. The employee for whom the payment is to be made or who is coordinating with the supplier, completes any of the following documents which is applicable to the type of payment being requested:
 - Request for Cash Advance (RCA)
 - Expense/Liquidation Report (ELR)
 - Request for Payment (RFP)
- b. The RCA, ELR or RFP and supporting documents are reviewed by the immediate supervisor who signs on the documents, and is approved by the PM who also signs the checks. The transactions being requested for payment by PM is approved by the Executive Director.
 - No one will authorize transactions from which he will personally benefit to avoid questions of impropriety or dishonesty.
 - Subordinates must not authorize payments to their managers; approval should be passed to the manager’s higher ranking superior. (Managers can approve/authorize payments up to Php5,000, more than Php5,000 to be co-approved by the Executive Director)
- c. The approved RCA, ELR or RFP is forwarded to the Bookkeeper. The Bookkeeper prepares the check voucher (CV) and check simultaneously through the accounting

system. The Bookkeeper signs the check voucher as preparer, and forwards the CV, check and supporting documents to the General Accountant.

- d. The General Accountant reviews the following and signs the “reviewed by” portion of the check voucher:
 - check, if the check used is correct
 - amount, if correct and consistent in all the documents
 - supporting documents for completeness, correctness and if duly signed/approved
 - accounting entry, for correctness and if entered in the correct project/program books
- e. The CV is approved by the Finance Manager.
- f. The CV, check and supporting documents are forwarded to the authorized signatories:
 - A combination of any two of the following signatories are allowed to sign the checks:

| Position | Signing Limit | | | Remarks |
|-----------------------------|---------------|----------|----------|---------------------------------------|
| | P50,000 | P100,000 | No limit | |
| Trustee | | | X | Co-signed by the Executive Director |
| Executive Director | | X | | |
| Finance Manager | | X | | |
| Program Manager | X | | | Limited to Microfinance bank accounts |
| Microfinance Branch Officer | X | | | |

- Please refer to the board resolutions for check signatories for the specific names of signatories.
 - Depending on the agreement with the donor, there are agreements wherein the donor is one of the check signatories. This is also captured in a board resolution.
- g. Upon approval, the vouchers and checks with the supporting documents remain in the custody of the Bookkeeper until the release of check. When releasing the check, the payee signs on the “received by” portion of the check voucher to acknowledge receipt of the check.
 - h. Distribution of CV shall be made as follows:
 - Original copy to the Bookkeeper with original supporting documents
 - Duplicate copy to payee, if loan forms, duplicate copy should be filed in the client folder
 - i. For payments made to suppliers/business establishments, ensure that official receipts/ sales invoices are received as soon as check is released.
 - j. The CV and supporting documents shall be stamped “Paid” by the Bookkeeper, if loans and LGF releases the MSS, and the date of payment indicated thereon in ink once the check is released to avoid the possibility of their reuse to support second payment.
 - k. Upon release of check and stamping “paid” on the documents, the MSS forwards the vouchers and supporting documents to the Bookkeeper handling the books from which the payment has been drawn.

- l. The Bookkeeper files the documents separately for each project, on a sequential order following the check voucher numbers. Separate folders for each month are maintained.
 - m. Voided or spoiled check vouchers are marked as “cancelled” and the reason indicated thereon by the bookkeeper. The cancelled check voucher is then signed by the Finance Manager as approval of the document being cancelled, and filed by the Bookkeeper with the valid check vouchers.
 - n. Voided or spoiled checks must be properly marked as “cancelled” and the reason indicated thereon by the bookkeeper. The cancelled check is then signed by the Finance Manager as approval of the document being cancelled, and filed by the Bookkeeper with the bank reconciliation statement.
2. Petty cash disbursements
- a. JVOMFI maintains a Petty Cash Fund for branches: Baguio – P6,000; La Trinidad – P4,000; Bauang – P4,000.
 - b. The imprest system is used for petty cash fund. The BO is the custodian of the petty cash fund.
 - c. Petty expenses not to exceed One Thousand Five Hundred Pesos (P1,500) shall be drawn from the Petty Cash Fund except if payment will be made to suppliers and parties other than employees.
 - d. When a request for payment, liquidation of expenses and cash advances are approved and review has been made by Accounting, a pre-numbered Petty Cash Voucher (PCV) shall be accomplished by the BO.
 - e. The Finance Manager approves the PCV.
 - f. Upon release of the cash, the payee signs on the “received by” portion of the PCV.
 - g. Distribution of PCV shall be made as follows:
 - Original copy - to Bookkeeper with original supporting documents for preparation of replenishment summary
 - Duplicate copy - to payee
 - h. The PCV and supporting documents shall be stamped “Paid” by the Bookkeeper once the cash is released to avoid the possibility of their reuse to support second payment.
 - i. When the Petty Cash Fund is depleted by at least 80%, or at the end of the month, whichever comes first, the BO prepares a replenishment report summarizing all PCVs paid with corresponding account charges. At the end of the fiscal year, a replenishment report is prepared even notwithstanding the amount of PCF used/utilized.
 - j. The General Accountant reviews the replenishment report and supporting documents. He/ She signs the “reviewed by” portion of the report.
 - k. The Bookkeeper prepares and signs a Request for Payment form and forwards this together with the replenishment report to the Finance Manager.
 - l. The Finance Manager approves the Request for Payment and the replenishment report. For amounts greater than Five Thousand Pesos (P5,000), the Request for Payment is recommended for approval by the Finance Manager and is approved by the Executive Director.
 - m. The approved Request for Payment together with the replenishment summary and supporting documents is forwarded to the Bookkeeper handling the General Fund for check voucher and check preparation.

- n. The check disbursement process is then followed in the preparation of the check voucher and check.
3. Payroll
 - a. Payment for salaries of employees is made twice a month. The first payroll period is from the 26th of the previous month to the 10th of the month. The second payroll period is from the 11th of the month to the 25th of the same month. Processing of payroll is completed not later than three days after the cutoff date, i.e., not later than the 13th of the month for the first payroll period, and not later than the 28th of the month for the second payroll period).
 - b. The employee completes the Daily Time Record (DTR) using the format provided by the Personnel and Admin Unit. The employee signs the DTR and forwards this to his/her immediate supervisor.
 - c. The Supervisor reviews the DTR, signs the document for the review and forwards the same to the Program Manager.
 - d. The PM approves the DTR by signing and forwards the DTR to the Admin Assistant.
 - e. The Admin Assistant reviews the DTR:
 - Time-in and time-out indicated in the DTR are counter-checked with the time-in and time-out indicated in the log-book. The log-book is maintained in the branch office
 - Tracers and domestic travel requests are counterchecked with the time-in and time-out indicated in the log-book.
 - Leaves earned (approved overtime for compensatory leave) and consumed (approved application for leave) as indicated in the DTR versus those filed.
 - Overtime claimed as per DTR versus approved overtime.
 - Ensures that all DTRs are reviewed and approved by the Supervisors and Program Managers
 - f. The Admin Assistant signs the DTRs as evidence of review and forwards the documents (DTR with attached domestic travel request, tracer, authorization for overtime, etc.) to the Treasury Assistant or Bookkeeper.
 - g. The Treasury Assistant and/or Bookkeeper, and the Finance Manager prepares the payroll summary using the MS Excel. (Note: the Treasury Assistant generally prepares the payroll summary, except for projects wherein the donor requires a separate payroll summary for the staff working for such specific project. The Finance Manager prepares the payroll summary for all managers.)
 - The overtime pay is computed based on attached approved authorization for overtime.
 - Deductions are entered in the MS Excel file: (i) withholding taxes; (ii) HDMF contributions for the first payroll period; (iii) SSS and Philhealth contributions for the second payroll period; (iv) SSS and HDMF loan amortizations; (v) employees' cooperative deduction as per schedule provided by the Treasurer of the cooperative; (vi) accounts receivable as per subsidiary ledgers provided by bookkeepers).
 - Additional payments to employees are also computed and entered in the MS Excel file: (i) merit increase as a result of the performance evaluation; (ii) sick leaves; (iii) 13th month pay; (iv) others.
 - Subtotals and totals are recomputed/computed.

- h. The Treasury Assistant or Bookkeeper prints and signs the payroll summary as the preparer, and forwards the summary together with the attachments to the General Accountant.
- i. The General Accountant reviews the payroll summary and attachments, signs the payroll summary as reviewer and forwards the documents to the Finance Manager.
 - Supporting documents/schedules as compared to the amounts added to or deducted from the pay of the employees.
 - Project where the employees are charged.
 - Subtotals and totals.
- j. The Finance Manager makes an overall review of the summary, i.e., totals per schedules versus totals per summary, signs as approver the summary and forwards the documents to the Treasury Assistant.
- k. The Treasury Assistant generates printed copies of the following documents using the system provided by the bank, in two copies: List of employees with corresponding bank accounts and amounts, and Bank Debit Advice, and signs the said documents.
- l. The General Accountant reviews the List and the Advice, and signs the documents and forwards the same to the Finance Manager.
- m. The Finance Manager reviews and signs the documents and forwards the same to the check signatories.
- n. The payroll summary for both staff and managers (including the supporting documents), the List and the Advice are signed by the check signatories. The signatories for the bank debit advice are the same signatories authorized for the checks.
- o. The Treasury Assistant forwards thru e-mail a copy of the bank payroll system to the bank where the payroll account of JVOMFI is maintained.
- p. The Treasury Assistant brings the signed copies of the List of employees with corresponding bank accounts and amounts and the Bank Debit Advice, to the bank.
- q. The Payroll Summary with supporting documents are filed by the: (a) Finance Manager for payroll of managers; (b) Treasury Assistant for the staff payroll; and (c) Bookkeeper for projects wherein the documents for the payroll of staff is maintained with the project.

Cash Advances and Liquidation

Cash Advances are issued to employees to facilitate the implementation of activities and avoid defraying of company expenses from the personal money of employees

Forms to use:

- Request for Cash Advance (RCA). This form is used to request for a cash advance.
- Expense/ Liquidation Form (ELR). This form is used to show the actual expenses incurred for the activity, which is either covered or not by a cash advance.

Guidelines:

- Requests for cash advance should be made not later than one week ahead of the scheduled activity to enable the Finance Unit to properly manage available cash.
- No new cash advance shall be issued to employees with unliquidated cash advances.
- The cash advance must be used solely for the intended purpose.

Procedures:

- A Request for Cash Advance (RCA) form is accomplished by the requester and submitted to his/her immediate superior/supervisor for recommendation, together with the supporting documents such as the approved proposal and/or training design, approved domestic travel request for official business trips, or approved purchase order and procurement forms (request for quotation, summary of quotations) for payment to suppliers. The Program Manager approves the request if the amount is not more than Five Thousand Pesos, and is co-approved by the Executive Director if the amount is more than Five Thousand Pesos.
- The Treasury Assistant notes on the RCA if the employee requesting for cash advance has an existing/outstanding cash advance. No new cash advance shall be issued to employees with existing cash advances.
- The cash advance should be liquidated within seven (7) days after the conduct of the activity for which the advance was made. If unliquidated within the prescribed period the cash advance is deducted either from the salary of the employee on the next payroll period following the lapse of the said 7-day period.
- The actual expenses incurred for the activity is reported using the Expense/Liquidation Report (ELR). The amount of cash advance, if any, is indicated in the report. The ELR is prepared by the employee reporting the expense, particularly the employee who made the cash advance; reviewed by his/her immediate supervisor; further reviewed by the Bookkeeper and General Accountant; and approved by the Program Manager
- For employees directly reporting to Program Manager, the ELR is reviewed by the Bookkeeper and General Accountant before the report is approved by the Program Manager and the Executive Director for transactions by the Program Manager.
- For ELRs prepared by the Program Manager, the Executive Director approves the report.
- If the amount of the cash advance is greater than the actual expenses, the employee who made the cash advance shall either (1) directly deposit the excess amount to the bank account of the organization; or (2) deposit the amount to the Treasury Assistant, who shall make the deposit to the bank. The Treasury Assistant issues an Official Receipt for the amount returned by the employee. If the excess of the cash advance over actual expenses is not returned, the said amount shall be deducted from (1) the salary of the employee, (2) the next cash advance of the employee, or (3) other reimbursements whichever comes first.
- The Bookkeeper then prepares a Journal Entry to take-up liquidation of the cash advance, if the cash advance is greater than or equal to the amount of expenses. The excess of the cash advance over the expense is recorded as a receivable from the employee (Accounts Receivable – Employees).
- If the amount of the actual expenses is greater than the amount of the cash advance, the difference is reimbursed to the employee either through (1) petty cash fund if the amount is not more than One Thousand Five Hundred Pesos; or (2) check if the amount is more than One Thousand Five Hundred Pesos.
- The Treasury Assistant prepares the Aging of Cash Advances (1) monthly, not later than the 5th of the following month, and submitted with the financial reports, and (2) every time the petty cash fund is replenished. The Aging of Cash Advances is reviewed by the Accounting Supervisor, approved by the Finance Manager and is submitted to the Executive Director for monitoring purposes.

Allocation of Costs

The purpose of this cost allocation plan is to summarize, in writing, the methods and procedures that this organization will use to allocate costs to various programs, grants, contracts and agreements.

Definition of terms:

- Cost allocation is the process of assigning of a common cost to several cost objects.
- Direct costs are those that can be identified specifically with a particular contract or program.
- Indirect costs are those that have been incurred for common or joint objectives and cannot be readily identified with a particular contract or program.

Guidelines:

- Only costs that are allowable will be allocated to programs, projects, or unit.
- All allowable direct costs are charged directly to programs, projects, unit, etc.
- Allowable direct costs that can be identified to more than one program, project or unit are pro-rated individually as direct costs using a base most appropriate to the particular cost being prorated.
- All other allowable general and administrative costs (costs that benefit all programs/ projects/ units and cannot be identified to a specific program/ project/ unit) are allocated to programs, project, unit, etc. using a base that results in an equitable distribution.
- Unallowable Costs include alcoholic beverages, fines and penalties, meals and accommodations more than the approved allowance, beyond what is reasonable or decent for an employee of JVOMFI.

Procedures:

1. Personnel Cost. Gross compensation are documented with Daily Time Record (DTR) showing time distribution and allocated based on time spent on each program. Salaries and wages are charged directly to the program for which work has been done. Monetized leaves, 13th month pay, insurance, medical benefits and other compensation and benefits are allocated using the same method as gross compensation.
2. Vehicle-related costs (including fuel, vehicle repairs, vehicle parts, vehicle supplies, insurance, toll fees, parking fees, and costs relating to the driver – personnel cost, travel and transportation, meals, accommodation, communication, etc.) are charged to the General Funds (jobs: Vehicle). The program for which the travel relates to is charged based on a fixed charge determined by the Foundation, and depending on the kilometer-run for the said travel. The kilometer-run is based on the trip ticket accomplished by the driver indicating the kilometer-reading before and after the trip.
3. Rent is allocated based on usage: on the percentage of floor area used by the program, project or unit as against the total floor area occupied by JVOMFI.
4. Telephone/ Communication, Office Supplies, Utilities, Postage Expenses are charged directly to programs, projects or units to the extent possible. For charges which cannot be directly identified with a specific program, project or unit, such charges will be equally divided between existing programs, projects or units.
5. Equipment. Equipment purchased are charged directly for the use of JVOMFI equipment, with the rate of depreciation of the equipment as basis.

External Audit. JVOMFI is charged for the cost of external audit based on the approved budget.

Backup of Files

On a regular basis, JVOMFI will back-up its files to prevent the possible loss of data due to machine breakdown, virus, power outage, software upgrades, fire, flood and human error.

Definition of terms:

- Backup. Back-up is the practice of protecting important data by storing duplicate files on a different location on the same drive, on different drives, media, computer, and/or site. (<http://www.businessdictionary.com>).

Guidelines:

1. BOs, PM, Bookkeeper, MSS shall determine the files needed to be backed up.
2. Each branch shall be provided with an external drive where the files are backed up.
3. Timing of backup shall depend on the type of file, and shall be as follows:

| <i>File</i> | <i>Person responsible</i> | <i>Frequency and timing</i> |
|---|---|---|
| IntAcct | Bookkeepers | 5:00PM daily |
| Payroll summary/e-files | Treasury Assistant and/or Bookkeeper; Finance Manager (those responsible in the preparation of payroll summary) | Every payroll |
| Financial reports submitted to donor | Bookkeepers | Monthly, at the end of each month |
| 201 files maintained by the Personnel and Admin Unit | Personnel and Admin Coordinator | Monthly, at the end of each month |
| Policies | Personnel and Admin Coordinator | Monthly, at the end of each month |
| Microfinance system; Branch Officers' reports (aging, cash book, closing); files maintained by the Social Performance Management Officer (insurance, database of clients, audit findings) | Branch Officers; SPM Officer | 3:00PM daily |
| Board of Trustees Meeting Materials | Executive Director | Quarterly before the conduct of the meeting |

4. Backups are further performed before installation.
5. The external drive where the files are backed up are kept in a fire-safe vault in the office of the Executive Director for units housed in the main office, or in the vault of satellite offices.
6. Back-ups of documents sent by e-mail shall be done by including its central repository, jvongpin@yahoo.com.ph, in its carbon copy (cc). The central repository shall be maintained by the JVOFI's Development Communications Specialist.

C. Financial Planning and Evaluation

Financial Reporting

Financial reports are generated by the Finance Unit to assist management in monitoring performance and in decision-making. Consolidation of branch reports will be done by the Program Manager.

Definition of terms:

- **Trial Balance.** The Trial balance is a list of closing balances of ledger accounts on a certain date and is the first step towards the preparation of financial statements. It is usually prepared at the end of an accounting period to assist in the drafting of financial statements. Ledger balances are segregated into debit balances and credit balances. Asset and expense accounts appear on the debit side of the trial balance whereas liabilities, fund balances and income statements generally appear on the credit side. If all accounting entries are recorded correctly and all the ledger balances are accurately extracted from the system, the total of all debit balances appearing in the trial balance must equal to the sum of all credit balances.
- **Balance Sheet.** The Balance Sheet summarizes JVOMFI's assets, liabilities and fund balances at a specific point in time. These three balance sheet segments give the readers an idea as to what JVOMFI owns and owes, as well as the excess of revenue over expenses which were accumulated from the start of operations of JVOMFI.
- **Statement of Revenues and Expenses.** This is a financial statement that measures the Foundation's financial performance or profitability over a specific accounting period. Financial performance is assessed by giving a summary of how JVOMFI incurs its revenues and expenses. It also shows the net revenue or net expense incurred over a specific accounting period.
- **Cash Flow Statement.** The cash flow statement reports the *cash* generated and used during a specified period. The organizes and reports the cash generated and used in the following categories: (1) operating activities – converts the items reported on the income statement from the accrual basis of accounting to cash basis; (2) investing activities – reports the movement of non-current assets (i.e., purchase and sale of long-term investments and property, plant and equipment; and (3) financing activities – reports the movement of long-term liabilities and movement of the fund balance other than the effect of operations.

Reports to be prepared:

The following financial reports shall be generated by the Finance Unit:

| Report | Preparation | Review | Approval | Recipient |
|---------------|---|---|---|---|
| Trial Balance | Bookkeeper, not later than the 5 th of the following month | General Accountant, not later than the 8 th of the following month | Finance Manager, not later than the 10 th of the following month | Used for consolidation of financial reports |
| Balance Sheet | Bookkeeper, not later than the 5 th of the following month | General Accountant, not later than the 8 th of the following month | Finance Manager, not later than the 10 th of the following month | - Executive Director – monthly - Finance Committee and |

| Report | Preparation | Review | Approval | Recipient |
|---|---|---|---|---|
| | | | | Board of Trustees – quarterly |
| Statement of Revenues and Expenses | Bookkeeper, not later than the 5 th of the following month | General Accountant, not later than the 8 th of the following month | Finance Manager, not later than the 10 th of the following month | - Executive Director – monthly - Finance Committee and Board of Trustees – quarterly |
| Cash Flow Statement | Bookkeeper, not later than the 5 th of the following month | General Accountant, not later than the 8 th of the following month | Finance Manager, not later than the 10 th of the following month | - Executive Director – monthly - Finance Committee and Board of Trustees – quarterly |
| Variance Report (Budget versus Actual Expenses) | Bookkeeper, not later than the 5 th of the following month | Not later than the 8 th of the following month: - General Accountant - Program Manager Officers - Personnel and Admin Coordinator | Not later than the 8 th of the following month: - General Accountant - Program Manager - Finance Manager - Personnel and Admin Coordinator | - Executive Director – monthly - Program Manager – monthly - Finance Unit – monthly - Personnel and Admin Coordinator – monthly - Finance Committee and Board of Trustees – quarterly |

- Additional adjustments brought about by the review of reports are to be incorporated before the reports are forwarded to the recipients.
- The variance reports are to be reviewed by both the Finance Unit and the Program Manager. Explanation to the variances which are significant in amount (equal to or more than 10%) are to be discussed by the said units, and indicated in the variance reports. The variance reports of projects, as well as other financial reportorial requirements by the donors, are generated according to the format provided by the donors and are prepared by the bookkeepers, reviewed by the General Accountant, and approved by the Finance and Program Manager.
- The computations and importance/explanations of ratios are also included in the financial reports.
- The electronic copies of the above reports are reviewed. The reports which are prepared by the Bookkeepers are to be printed by them upon the approval.

Ratio Analysis

Ratio analysis is used to:

- Evaluate performance, compared to previous years and to competitors and the industry

- Set benchmarks or standards for performance
- Highlight areas that need to be improved, or areas that offer the most promising future potential

Guidelines:

The ratio analysis shall be included in the financial reports to be generated by the Finance Unit monthly.

Ratios to be used:

| Ratio | Formula | Expressed in | Significance |
|--|--|---------------------|--|
| LIQUIDITY | ability to maintain positive cash flow, while satisfying immediate obligations | | |
| Current Ratio; Working Capital Ratio; Bankers' Ratio | $\frac{\text{Current Assets}}{\text{Current Liabilities}}$ | Value | Test of short-term debt paying ability |
| Quick Ratio; Acid Test Ratio | $\frac{\text{Quick Assets}}{\text{Current Liabilities}}$ | Value | Measures the firm's ability to pay its short-term debts from its most liquid assets without having to rely on <i>inventory</i> and <i>prepaid expenses</i> |

Bank Reconciliation

To ensure that the bank and book balances are correctly stated, a monthly bank reconciliation statement shall be prepared for each bank account.

Definition of terms:

- Bank reconciliation. This is a process of matching the balances in the Foundation's financial records for a bank account to the corresponding information on a bank statement, with the goal of ascertaining the differences between the two and booking changes/adjustments to the accounting records as appropriate.
- Bank Reconciliation Statement. This is a report/schedule which presents the reconciliation made between the financial records of the Foundation and the bank statement.

Forms/Reports to use:

- Trial Balance
- General Ledger for Cash in Bank
- Bank Statement
- Bank debit and credit memoranda, as needed

Procedures:

1. Not later than the fourth day of the following month, the Treasury Assistant secures the bank statements for each bank account maintained with the depository banks. If the bank statement is unavailable, the Treasury Assistant requests for "any time bank statement" for each bank account for the specific period to be reconciled.
2. The Treasury Assistant distributes the bank statements to the bookkeepers handling the books of the project where the cash in bank is recorded.

3. The Bookkeeper prepares the bank reconciliation using the current accounting system of JVOMFI.
 - a. The checks prepared as per the accounting system are compared with the debit amounts in the bank statement to ascertain whether there are checks not yet presented for payment.
 - b. The collections of JVOMFI as recorded in the accounting system are compared with the credit amounts in the bank statement to ascertain whether there are deposits not yet acknowledged by the bank.
 - c. The bank statement should be examined to determine whether there are bank credits or bank debits not yet recorded by JVOMFI.
 - d. Errors should be looked into. These are reconciling items of the party (either bank or Foundation) who committed them.
4. Reconciling items (i.e., bank credits (unrecorded deposits) or debits (bank service, etc) not yet recorded by JVOMFI, or errors) shall be recorded by the Bookkeeper in the General Journal during the month being reconciled. The General Journal is reviewed by the General Accountant and is approved by the Finance Manager.
5. The Bookkeeper prints the bank reconciliation statement from the accounting system and signs as the preparer (date of signing is indicated). The bank reconciliation statement, together with the trial balance and financial statements, are to the General Accountant for review, not later than the 5th of the following month.
6. The General Accountant reviews the bank reconciliation statement in relation to the cash in bank balance of the reports and signs the document (date of signing is indicated). The bank reconciliation statement is submitted to the Finance Manager not later than the 8th of the following month.
7. The Finance Manager reviews the bank reconciliation statement and signs the document as approved (date of signing is indicated).
8. The bank reconciliation statement is filed by the Bookkeeper. A separate folder is maintained for each bank account.

D. External Audit

The annual institutional financial statements of JVOMFI are subjected to an external audit as a requirement of government agencies and accrediting bodies. Moreover, the audit adds to the credibility to the financial statements

Definition of terms:

- External Audit. A periodic examination of the books of account and records of an entity carried out by an independent third party (the auditor), to ensure that they have been properly maintained, are accurate and comply with established concepts, principles, accounting standards, legal requirements and give a true and fair view of the financial state of the entity. (CIMA's Management Accounting Official Terminology). The External Auditor issues: (1) Management Letter, and (2) Audit Opinion Letter.
- External Auditor. An external auditor is an audit professional who performs an audit in accordance with specific laws or rules on the financial statements of a company, government entity, other legal entity or organization, and who is independent of the entity being audited. External auditors must be a member of one of the Board of Accountancy.

- Management Letter. Discusses auditor's comments that provides recommendations regarding internal controls and opportunities for improvement or efficiency, based on observations made during the course of the audit.
- Audit Opinion Letter. This documents the opinion expressed by the auditor on the financial statements of the Foundation in accordance with Philippine Financial Reporting Standards for Small and Medium-Sized Entities (PFRS for SMEs).

Guidelines:

An annual external audit on JVOMFI's institutional financial statements is conducted every first quarter of the following year by an external auditor appointed by the Board of Trustees.

Procedures:

1. Selection/Appointment of the External Auditor.

The Finance Committee of the Board of Trustees shall have the following functions in relation to external audit:

- Recommend for appointment by the Board an external auditor who holds a Certificate of Accreditation from the Board of Accountancy as required by the Bureau of Internal Revenue for certifying donee institutions;
- Perform oversight functions over the Foundation's external auditors. It should ensure that the external auditors act independently, and that auditors are given unrestricted access to all records, properties and personnel to enable them to perform their audit functions;
- Prior to the commencement of the audit, discuss with the external auditor the nature, scope and expenses of the audit, and ensure proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts; and
- Evaluate and determine the non-audit work, if any, of the external auditor, and review periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to the Foundation's overall consultancy expenses. The committee shall disallow any non-audit work that will conflict with his duties as an external auditor or may pose a threat to his independence. The non-audit work, if allowed, should be disclosed in JVOMFI's annual report.

2. The selection criteria for appointing the external auditor are the following:

- Certified Public Accountant
- Registered with the BIR
- Registered with the Professional Regulatory Commission
- Accredited by the Board of Accountancy
- Not a close relative or friend of any member of the BOT, management and staff
- Track record and quality of work
- Cost which should be within the budget

3. The Board, after consultations with the Finance Committee, shall recommend to the members an external auditor duly accredited by the Commission who shall undertake an independent audit of the Foundation, and shall provide an objective assurance on the manner by which the financial statements shall be prepared and presented. Non-audit work may be given to the external auditor, provided it does not conflict with his duties as an independent auditor, or does not pose a threat to his independence.

4. The engagement letter together with the terms and conditions of the agreement with the External Auditor shall be drafted by the External Auditor and shall be reviewed by the Finance Manager and Executive Director at the management level and the Finance Committee at the Board of Trustees level. The agreement shall contain among others the deliverables of the external auditor (i.e., issuance of management letter and opinion letter, review of the income tax return for filing with the Bureau of Internal Revenue and Securities and Exchange Commission) and JVOMFI, the cost of the audit, and timetable. On the basis of the approved audit plans, audit examinations should cover, at the minimum, the evaluation of the adequacy and effectiveness of controls that cover JVOMFI's governance, operations and information systems, including the reliability and integrity of financial and operational information, effectiveness and efficiency of operations, protection of assets, and compliance with contracts, laws, rules and regulations.
5. The documents needed of the auditor shall be communicated to the Finance Manager, who in turn shall delegate to the General Accountant and Bookkeepers and other employees as needed, the preparation of the documents and analyses.
6. The Audited Financial Statements shall be submitted to the Bureau of Internal Revenue not later the 15th of the fourth month following the end of the fiscal year (not later than October 15), unless there are concerns to be addressed needing tentative submission in such case the tentative financial statements shall still be submitted not later than October 15 of the next calendar year. The audited financial statements, together with other requirements, shall likewise be submitted to the Securities and Exchange Commission within 30 days after the conduct of the annual general assembly.
7. The Finance Manager shall coordinate the preparation of action plan and the implementation of such, for the management letter concerns. The Finance Manager shall report to the Executive Director with regard to the updates on the action plan, who in turn shall update the Finance Committee. The action plan and updates will be officially communicated to the Finance Committee and eventually to the Board of Trustees during the quarterly meetings. All communications pertaining to the external audit (i.e., management letter concerns) shall be documented.
8. If the external auditor resigns, is dismissed or ceases to perform his services, the reason/s for and the date of effectivity of such action shall be reported in the Foundation's annual and current reports. The report shall include a discussion of any disagreement between him and the Foundation on accounting principles or practices, financial disclosures or audit procedures which the former auditor and the Foundation failed to resolve satisfactorily. A preliminary copy of the said report shall be given by JVOMFI to the external auditor before its submission. If the external auditor believes that any statement made in an annual report, information statement or any report filed with the Commission or any regulatory body during the period of his engagement is incorrect or incomplete, he shall give his comments or views on the matter in the said reports.

XII. Internal Control Procedures for Branch Operations

To facilitate internal control procedures, the following policies should be observed:

A. Staff rotation

1. Each AO will be scheduled for a one week forced leave. This period will be for the BO, MEC or other AO assigned by the BO to take over the scheduled collection and meetings of the AO on leave. The purpose of this is to monitor the compliance of AOs

in the policies and procedures of the program. Exact date will not be announced to the AO concerned but will be planned by the BO and PM.

2. Leaves will be deducted from the accumulated leave credits. AOs with no leave credits will be assigned in the job rotation.
3. BO to prepare report per AO and report copy furnished to the Executive Director.
4. Staff rotation will be done at least once a year.

B.Passbook reconciliation

| Activity | Person responsible | Due date |
|---|--|--|
| Prepare monthly closing report <ul style="list-style-type: none"> - Forwarding - Aging Report - Balance Sheet | AO | 1 st – to 2 nd day of the subject month |
| Check forwarding /Closing/Aging | AO | 3rd- 4 th day of the subject month |
| Tally forwarding balances in LOR vs. MYOB Submit LGF and Loan balances records | BK | Complete 2 nd week of the subject month |
| Retrieval of passbook | AO | 2 nd week of the subject month |
| Reconciliation of passbook | AO (branches will exchange passbook) Bookkeeper to spot check | 2 nd Saturday of the subject month or Saturday of the scheduled retrieval of passbook |
| Return all reconciled PBs to the group and retrieve un-reconciled passbook | AO | <ul style="list-style-type: none"> - Week following the reconciliation of passbook. - All passbooks should be strictly returned to clients a week after retrieval - Clients to sign and acknowledge balances in the PB recon paper. 2nd copy of the PB recon paper is left with the Group Leader |
| <ul style="list-style-type: none"> - Prepare summary report for passbook reconciliation and submit to PM - Include report in BO accomplishment report | BO | Last day of the subject month |

C.Target collection

Always refer to the procedure of Fieldwork during Calamities for declared “target collection”. “Target collection” not covered in this section should always have a written approval by the PM. This is to ensure that “target collection” will not be used to cover for past due accounts.

D. Entertaining clients inside office not outside

Clients coming to the branch office for any transaction or inquiries should be entertained inside the office. AOs or other MF staff meeting clients outside the office (e.g. parking lot or at the gate) should be brought to the attention of the BO, MEC or PM for checking up to investigation.

E. Paycard

Paycard is provided to clients for their loan and LGF withdrawals. The procedures for crediting, release and safekeeping are outlined for guidance and compliance. Complete risk assessment in Appendix c.

| Process (Starts after approval of check vouchers) | Where Risk Comes From | Control Measures to Prevent, Mitigate/ Reduce the Impact of the Risk |
|--|--|--|
| Encoding of data online and preparation of summary of disbursement | | |
| 1. Treasury Assistant encodes loan amount for disbursement (using online banking) i. Prints out summary of disbursement ii. Makes corrections if necessary | - In-accurate data encoded - Delays may be encountered if Treasury Assistant is not around | - Always refer to the loan forms, approved insurance claims, LGF withdrawal forms - General Accountant takes the role of the Treasury Assistant |
| 2. General Accountant checks accuracy of encoded data | - In-accurate data - Delays may be encountered if General Accountant is not around | - Always refer to the loan forms, approved insurance claims, LGF withdrawal forms - Finance Manager or Accounting Supervisor takes the role of the General Accountant |
| Approval of summary of disbursement | | |
| 3. Program Manager approves summary of disbursement | - Delays may be encountered if the PM is not around - Insufficient review by OIC when the PM is unavailable | - In the absence of the PM the other officer designated as an approved authorizer will sign the summary of disbursement for MF. - OIC for MF will be the BO and will perform the same level of diligence in checking loan applications. |
| 4. Executive Director approves summary of disbursement | - Insufficient review by OIC in the event that the ED is unavailable | - The General Accountant or Finance Manager should check summary of disbursement vs. approved |

| Process (Starts after approval of check vouchers) | Where Risk Comes From | Control Measures to Prevent, Mitigate/ Reduce the Impact of the Risk |
|--|--|--|
| | due to leave or other business | amounts prior to signing by the OIC. - OIC performs the same level of diligence in checking loan applications. Refers to the summary of loan approval. |
| 5. Treasury Assistant notifies authorizers through email | <ul style="list-style-type: none"> - Delayed notification that will give authorizers insufficient time for review therefore haphazardly approving payments - No internet connection available in the field/outside the office or authorizer is indisposed or busy with official activities and has no time to check the internet on short notice | <ul style="list-style-type: none"> - Treasury Assistant informs the authorizers. - MF should give sufficient lead time for review and approval to avoid rush requests. - Authorizers should inform MF ahead of time of their schedules. - Authorizers for each level has an alternate in case one is not available. |
| 6. Authorizers authorize transaction | <ul style="list-style-type: none"> - No internet connection available in the field/outside the office or authorizer is indisposed or busy with official activities and has no time to check the internet on short notice - Poor internet connection that may result to blocking of authorizer caused by consecutive logon failures - Logon details may be compromised | <ul style="list-style-type: none"> - Treasury Assistant informs authorizers through text - Authorizer notifies Treasury Assistant through text or call so that adjustments will be made - If complete set of authorizers cannot be completed, issue check instead - Inform Treasury Assistant as soon as possible - Each authorizer is responsible for ensuring the security of his/her logon details |
| Release of paycard to MF | | |

| Process (Starts after approval of check vouchers) | Where Risk Comes From | Control Measures to Prevent, Mitigate/ Reduce the Impact of the Risk |
|---|--|---|
| 7. Admin Staff releases paycard to MSS <ul style="list-style-type: none"> - Client signs on the loan disbursement master roll where card number is indicated | <ul style="list-style-type: none"> - Delays in release of paycard if the Admin Staff is not available - Out-of-stock paycard - Unreleased paycards | <ul style="list-style-type: none"> - Admin Staff should endorse paycard in-case of long absence - Admin Staff to notify MSS of errand or leave - Admin Staff should inform Treasury Assistant before shortage of paycard. Re-order level for paycard is 60pcs/ branch. - In the event that there is no available paycard, check disbursements will be made - MSS should surrender all un-released paycards to the Treasury Assistant, while the PIN and instruction sheet should be surrendered to Admin. This is for safekeeping and should be done at the end of the day. MSS should maintain logbook for monitoring. - Un-released paycards after 2 weeks will be cancelled. |
| Disbursement – Loan, Insurance Benefits, LGF Withdrawals | | |
| 8. MSS prepares Loan Disbursement Master roll (LDM) | <ul style="list-style-type: none"> - Error in recording client names and card numbers | <ul style="list-style-type: none"> - MSS to cross check LDM against Card Production Control Report - MSS should have the client sign on the Card Production Control Report - Paycard number should be reflected in the PB, MAF and LAF. This will form part of tracking paycards. |
| 9. MSS / BO to release CV, disclosure statement, amortization schedule, passbook to client | <ul style="list-style-type: none"> - Clients who already have their paycards may not be able to sign CV and disclosure as soon as the amount is credited to their account | <ul style="list-style-type: none"> - AO should have the CV and disclosure statement signed in the field on the client's next collection schedule. - MSS to check CVs and disclosure statements within 1 week to |

| Process (Starts after approval of check vouchers) | Where Risk Comes From | Control Measures to Prevent, Mitigate/ Reduce the Impact of the Risk |
|--|---|--|
| | | ensure completeness of documents. |
| 10. MSS / BO to release paycard with PIN instruction sheet to the client | <ul style="list-style-type: none"> - Client may not know how to use paycard - Bank errors that delays withdrawal of clients, e.g. debiting of amount in paycard account without actual cash withdrawal - Paycard is unreadable - Client loses paycard - MSS may interchange paycards and PIN instruction sheet | <ul style="list-style-type: none"> - New paycard should have attached instructions for use and PIN - Inform clients to notify AO or go to the MBTC servicing branch for checking as soon as possible - Client to surrender paycard to JVOMFI for checking and replacement if it is defective. - MSS/BO reminds first-time paycard holders of the policies for the paycards including the costs for lost paycard - Client should give written letter to JVOMFI explaining the incident of lost paycard. - BO/PM to give incident report to Finance and Admin for administrative investigation. - MSS should check card number if it is the same with the code in the PIN instruction sheet - MSS should notify client about the error as soon as possible and issue the correct paycard or PIN instruction sheet - MSS to notify Treasury Assistant to check if the balance is still in the respective accounts. |

| Process (Starts after approval of check vouchers) | Where Risk Comes From | Control Measures to Prevent, Mitigate/ Reduce the Impact of the Risk |
|---|---|--|
| 11. MSS to give a copy of Card Production Control Report with clients' receiving signature to the Treasury Assistant | <ul style="list-style-type: none"> - Misplace receiving copy of Card Control Report - Client has no receiving signature | <ul style="list-style-type: none"> - MSS to keep MF file of Card Production Control Report - Check clients' receiving signature before forwarding a copy to the Treasury Assistant |
| LGF Withdrawal of Return Clients | | |
| 12. Client to surrender paycard and PIN to MSS/BO/LO. | <ul style="list-style-type: none"> - Client loses paycard | <ul style="list-style-type: none"> - Remind clients of their responsibility and accountability when holding paycard - Client should give written letter to JVOMFI explaining the incident of lost paycard. - BO/PM to give incident report to Finance and Admin for administrative investigation. |
| 13. MSS/BO to conduct exit interview | <ul style="list-style-type: none"> - Cannot be done if the client returns on the field | <ul style="list-style-type: none"> - AO should note reason for reference of the MEC |
| 14. MSS/BO to surrender paycard and sealed PIN to Treasury Assistant for checking of balance | <ul style="list-style-type: none"> - Unavailability of Treasury Assistant | <ul style="list-style-type: none"> - Advise General Accountant of the surrendered paycard. |
| 15. Treasury Assistant to check balance and inform Bookkeeper to add balance to client's LGF <ul style="list-style-type: none"> - Bank statement should be attached as basis for check preparation | <ul style="list-style-type: none"> - Delayed bank statement that may be due to technical errors | <ul style="list-style-type: none"> - Advise client of the delay |
| 16. PM to make a request letter to MBTC to swipe back the balance to the branch account | <ul style="list-style-type: none"> - Inaccurate figure | <ul style="list-style-type: none"> - Check balance and attach balance notification (from MBTC) to the request letter. |
| 17. MSS/BO to forward exit interview form, paycard, PB, debit memo and LGF | <ul style="list-style-type: none"> - Incomplete supporting documents | <ul style="list-style-type: none"> - Check supporting documents before forwarding to Bookkeeper. |

| Process (Starts after approval of check vouchers) | Where Risk Comes From | Control Measures to Prevent, Mitigate/ Reduce the Impact of the Risk |
|--|--|---|
| withdrawal for check preparation | | |
| 18. MSS/BO to release check to client | - Client does not comeback for final check | - AO to remind client to pick-up check. |
| Surrendering paycards to MBTC | | |
| 19. Treasury Assistant will surrender used paycards to MBTC and close the individual paycard account | - Lost paycard | - Surrender paycards to MBTC on a weekly basis avoid misplacing or losing it. |
| Claiming and safekeeping of paycards | | |
| 20. Admin staff to update MSS of inventory of paycards | - Out of stock paycard | - Admin Staff to update paycard inventory to MSS |
| 21. PM to request through the Finance Manager for paycards if stock level reaches 60 pieces | - No available stock from MBTC | - Finance Manager to advise MBTC of paycard requests as soon as possible. |
| 22. Paycards issued by MBTC will be forwarded to Admin staff for safekeeping | - Damaged paycards | - Check paycards before receiving from MBTC. |

F. Levels of authority

The following are the levels of authority based on principal loan amounts.

a. Loan applications

For all loan applications, LOs and BOs recommend for approval. Approving authority will depend on the loan principal applied for.

| Approving Authority | Loan Principal |
|----------------------------|--|
| Program Manager | P3,000-P50,000 |
| Finance Manager | P51,000 and above |
| Executive Director | Ratings lower than 79%; new clients, returning clients |

b. Check signatories

| Loan Principal | Check Signatories (any 2) | | | | |
|-----------------------|----------------------------------|-----------------|-----------------|--------------------|------------------|
| Up to P50,000 | Branch Officer | Program Manager | Finance Manager | Executive Director | Board of Trustee |
| P51,000-P100,000 | | | Finance Manager | Executive Director | Board of Trustee |
| More than P100,000 | | | | Executive Director | Board of Trustee |

c. Online bank authorizers

There are three authorizers for online crediting of amounts to clients' paycard accounts.

| Level | Authorizers (either 1) |
|--------------|-------------------------------------|
| 1 | Branch Officers |
| 2 | General Accountant, Program Manager |
| 3 | Finance Manager, Executive Director |

XIII. Personnel Policies and Procedures

Refer to JVOFI Employees Handbook and Disciplinary Measures for institutional policies and procedures.

A. Use and Maintenance of Motorcycle

All AOs and BOs are assigned a motorcycle for a more efficient work performance as compared to commuting through public transport. Each staff is then accountable for the motorcycle assigned to them and is expected to take proper care of the vehicle.

1. Routinary

| Activities | Remarks |
|---|--|
| 1. Inspect the unit <ul style="list-style-type: none"> a. Brakes b. Front/back tire c. Signal lights d. Fuel gauge e. Side mirror and horn f. Head lights g. Ensure cleanliness of the motorcycle before and after use. Wash motorcycle regularly. | A Motorcycle Maintenance Checklist shall be provided for the staff to record the date these are performed. AO/BO will signify their signatures in the form. The date & kilometer reading when regular maintenance & repairs are conducted shall likewise be recorded by the assigned staff. |
| 2. Update/Record the Kilometer Run Reading before and after use. | This shall be the basis for determining the kilometer run before the repair or replacement of motorcycle parts. |

| | |
|---|--|
| 3. Always bring the OR/CR of the motorcycle and driver's license of the in staff when using the motorcycle. | A photocopy shall always be available during the field work of a staff and for checking of the law enforcer/policeman. |
| 4. When parking always use the chain lock for security. | Chain locks are provided for each vehicle to reduce risk of car napping. |
| 5. Wear protection gears properly when using the motorcycle. | Only use helmets with ICC sticker. |

2. Replacement of Spare Parts and Change Oil. Repairs done should be recorded to the Repair/Maintenance Logbook assigned to each motorcycle.

| Items/Maintenance Activities | Required Tome of Replacement/ Km. Run |
|--|---------------------------------------|
| 1. General Check-up - Includes check-up of bearings, wirings, spark plug, electric starter, bulbs, grease, lights, lever, brake panel, front fender and others. | 1,000 kms. |
| 2. Change oil/tune up | 1,500 kms. |
| 3. Brake shoe/brake pads | 3,000 kms. |
| 4. Back tire | 8,000 kms. |
| 5. Front tire | 10,000 kms. |
| 6. Chain and sprocket set | 20,000 kms. |
| 7. Washing | 500 kms |
| 8. Change interior | 3,000 kms. |
| 9. Vulcanize | 1,500 kms |
| 10. Gasket | 3,000 kms |

For new motorcycles, staff should check first with Admin if some activities above are covered by warranty and free services of the supplier.

1. Incident reporting

In all cases where the staff encounters accidents, the following should be done:

- Get police report
- Prepare report citing how the accident happened
- In cases where medical attention is required by the staff, visit the nearest clinic or hospital for medication then acquire medical certificate
- Inform the BO of the incident as soon as possible
- Record in the Repair/Maintenance Logbook

2. Extent of use of the motorcycle

Motorcycles issued by JVOMFI is strictly for official business only. After field work, the vehicles should be parked in JVOMFI premises.

- Bringing home of vehicles not allowed
- In the absence of the assigned staff, any authorized driver shall be allowed to use the motorcycle provided that it was pre-approved by the BO/PM and he will be accountable for the regular maintenance of the motorcycle.

B. Rain Gear Staff Benefit

Rain gears are provided to field staff for their protection during the rainy days. The following is the budget for each supply. Budget may change based on latest price canvass.

1. For AOs/BOs

| Supply | Budget |
|---|--------|
| Rain Shoes (boots or rubberized shoes) | 300 |
| Rain Coat | 420 |
| Bag | 525 |
| Total | P1,245 |

2. For MSS/MEC

| Supply | Budget |
|--|--------|
| Rain Shoes(boots or rubberized shoes) | 300 |
| Umbrella | 130 |
| Total | P430 |

3. Guidelines

- The BO will request for Cash Advance and distribute the budget to staff. The item should be purchased immediately within two weeks to avoid forfeiture of the benefit.
- Staff should maximize the budgeted amount otherwise, it should be returned.
- The 3 items are good for one year and if the staff will resign after the procurement, they have to pay the required amount.

| Usage | Amount to be paid |
|---------------|----------------------|
| ≤ 6 months | Pay the whole cost |
| 7 – 11 months | Pay half of the cost |
| 1 year | Free |

C. JVOMFI T-shirts and Identification Cards (IDs)

JVOMFI regularly issues t-shirts with JVOMFI logo and IDs to staff. In all cases, these shall be used during official businesses only by current employees. In the event of separation from the institution, the t-shirts with JVOMFI logo and company IDs should be surrendered to your immediate superior or to the Personnel and Admin Coordinator. This is to ensure that the separated staff will not falsely represent JVOMFI in any way.

D. Staff Bond

All staff handling cash are required to save up and maintain a cash bond. This amount is held as reserve until the Staff resigns to reduce risk of fraud.

1. Minimum amount required

- The minimum amount for cash bond is Php15,000.00.
- For new staff, the minimum required amount can be paid up in installments of Php500.00 every pay period.

2. Withdrawable amount

- Amount in excess of the minimum required amount is withdrawable.

- Staff who wishes to withdraw the excess cash bond shall make a request with the following signatories
 - Prepared by Bookkeeper
 - Checked by General Accountant
 - Noted by the BO
 - Approved by the PM
 - In cases where the staff wishes to withdraw within the allowable amount, approval will be by the Executive Director
- 3. Interest on cash bond
 - Cash bond earns an annual interest of 7% computed at the end of the fiscal year. Interest rate is subject to change.

E. MF Investigation Committee

MF adheres to the institutional personnel policies and disciplinary measures. An Investigation Committee for MF unit is established to facilitate faster investigation and action regarding the case.

MF Investigation Committee has the following description:

1. Composition:
 - BO from each branch
 - MEC
 - 1 representative from Finance
 - 1 AO from each branch, based on seniority
2. Cases to be handled:
 - Client complaints
 - Staff violations
3. Role of the Investigating Committee
 - Investigate the case as soon as possible
 - Give recommendations for sanctions as it applies
 - In all cases where termination is recommended, the case will be forwarded to the Admin department
 - Implementation of recommendations – written warnings and suspensions will be prepared by the PM. For suspensions, notice should be referred to JVOMFI's Legal Counsel, noted by the Admin Coordinator and approved by the ED.
4. Officers and committee members under investigation
 - A committee member who is the subject of an investigation should automatically be disqualified from being part of the committee.
 - If the staff under investigation is the PM, BO or MEC the case shall be immediately forwarded to the Admin/Personnel Coordinator.

F. Disciplinary Measures

Due to the nature of MF operations, the following are disciplinary measures specific to MF:

1. Non-compliance to JVOMFI procedures.

| Description | Offense/Disciplinary Action | | | | |
|---|-----------------------------|-----------------|---------------------|----------------------|---------------------|
| | Oral Reprimand | Written Warning | Suspension 1-5 days | Suspension 6-10 days | Dismissal for Cause |
| Receipt (Official Receipt, Debit Memo, Withdrawal Slip) | | | | | |
| Failure to issue receipt | 1 st | 2 nd | 3 rd | 4 th | 5 th |
| No client/payee indicated or issuer signature on the receipt | 1 st | 2 nd | 3 rd | 4 th | 5 th |
| Loan Guarantee Fund withdrawal | | | | | |
| No client signature in Passbook for Debit Memo/ withdrawal slip | | 1 st | 2 nd | 3 rd | 4 th |
| Computation (count of offense is occurrence per month, e.g. 5 wrong computation in February is 1 st offense, 2 nd offense is succeeding months) | | | | | |
| below Required Maintaining Balance | 1 st | 2 nd | 3 rd | 4 th | 5 th |
| wrong forwarding (Account Officer Register, Passbook - spot check) | 1 st | 2 nd | 3 rd | 4 th | 5 th |
| failure to correct findings in Passbook reconciliation (on the date) | 1 st | 2 nd | 3 rd | 4 th | 5 th |
| under/over payment (due to wrong amortization) | 1 st | 2 nd | 3 rd | 4 th | 5 th |
| Loan Guarantee Fund withdrawal in the field exceeding P1500 | 1 st | 2 nd | 3 rd | 4 th | 5 th |
| Un-updated records | | | | | |
| Un-updated Passbook (Payments & release) if it exceeds 2 weeks | | 1 st | 2 nd | 3 rd | 4 th |
| Un-updated Loan Officer Register (payments and releases) if it exceeds 1 day | 1 st | 2 nd | 3 rd | 4 th | 5 th |
| Wrong/incomplete entry in Passbook and Loan Officer Register | | | | | |
| Wrong dates | 1 st | 2 nd | 3 rd | 4 th | 5 th |
| No reference/ signature of Account Officer | 1 st | 2 nd | 3 rd | 4 th | 5 th |
| No color code (blue/red) | 1 st | 2 nd | 3 rd | 4 th | 5 th |

| Description | Offense/Disciplinary Action | | | | |
|--|---|---|---|---|---|
| | Oral Reprimand | Written Warning | Suspension 1-5 days | Suspension 6-10 days | Dismissal for Cause |
| Passbook reconciliation | | | | | |
| Un-retrieved Passbook for 3 consecutive weeks | 1 st | 2 nd | 3 rd | 4 th and up | 5 th |
| No summary / no findings for violations prepared by checker | For 10% or less of total Passbook checked | 1 st more than 10% of total Passbook checked | 2 nd more than 10% of total Passbook checked | 3 rd more than 10% of total Passbook checked | 4 th more than 10% of total Passbook checked |
| Cashbook | | | | | |
| Failure to: log payments & Cash-on-hand, update cashbook daily, collect Official Receipt, Debit Memo & Withdrawal Slip | 1 st | 2 nd | 3 rd | 4 th | 5 th |
| Office supplies | | | | | |
| Late issuance of supplies, no monthly inventory report | 1 st | 2 nd | 3 rd | 4 th | 5 th |
| Grocery Bonanza | | | | | |
| Late purchase and raffle of grocery bonanza (after 2nd week of the month) | 1 st | 2 nd | 3 rd | 4 th | 5 th |
| Late issuance of grocery bonanza to clients (more than 2wks from draw date) | 1 st | 2 nd | 3 rd | 4 th | 5 th |
| Loan processing | | | | | |
| Failure to process loan forms (exceeds 1wk) | 1 st | 2 nd | 3 rd | 4 th | 5 th |
| Failure to conduct actual Credit and Background Investigation - upon validation | 1 st | 2 nd | 3 rd | 4 th | 5 th |
| Group management | | | | | |
| Enforcing group payment for delinquent member (misconduct) | 1 st | 2 nd | 3 rd | 4 th | 5 th |
| Failure to inform clients on the status of membership, loan | 1 st | 2 nd | 3 rd | 4 th | 5 th |

| Description | Offense/Disciplinary Action | | | | |
|--|-----------------------------|-----------------|---------------------|----------------------|---------------------|
| | Oral Reprimand | Written Warning | Suspension 1-5 days | Suspension 6-10 days | Dismissal for Cause |
| application and withdrawals | | | | | |
| Borrowing money from client (misconduct) | | | 1 st | 2 nd | 3 rd |
| Acquiring/ availing credit for goods sold by clients, e.g. groceries | | | 1 st | 2 nd | 3 rd |
| Late arrival at meeting place | 1 st | 2 nd | 3 rd | 4 th | 5 th |
| Failure to conduct monthly meeting | 1 st | 2 nd | 3 rd | 4 th | 5 th |
| Missing original copy or not properly filed collection list or erasures without countersignature | 1 st | 2 nd | 3 rd | 4 th | 5 th |
| Late return of Passbook after reconciliation | 1 st | 2 nd | 3 rd | 4 th | 5 th |
| Filing and confidentiality of client records | | | | | |
| Misplaced folder or contents due to improper filing | 1 st | 2 nd | 3 rd | 4 th | 5 th |
| Missing/misplaced claim forms/requirements – brgy. clearance, ID picture, valid IDs, etc | 1 st | 2 nd | 3 rd | 4 th | 5 th |
| Lost folder containing client records – Membership Application Form, Loan Application Form, passbooks | | 1 st | 2 nd | 3 rd | 4 th |
| Divulging of information about clients to external parties except with partner institutions only for purposes of credit investigation; e.g. institutions who are members of AFIBB (Alliance of Financial | 1 st | 2 nd | 3 rd | 4 th | 5 th |

| Description | Offense/Disciplinary Action | | | | |
|--|-----------------------------|-----------------|---------------------|----------------------|---------------------|
| | Oral Reprimand | Written Warning | Suspension 1-5 days | Suspension 6-10 days | Dismissal for Cause |
| Intermediaries in Baguio-Benguet) | | | | | |
| Delinquency management | | | | | |
| Failure to follow-up past dues (as stated in delinquency procedures) | 1 st | 2 nd | 3 rd | 4 th | 5 th |
| Offsetting of co-borrower's Loan Guarantee Fund for client's payment without written consent and signature in the Debit Memo | | 1 st | 2 nd | 3 rd | 4 th |

For non-compliance to JVOMFI procedures, disciplinary measures will be included in the Performance Evaluation of staff and records will be kept in 201 file.

4. Fraud

With the nature of Microfinance operations where daily transactions always involve money, the following violations are considered fraudulent even without actual money loss to the institution. This then warrants dismissal.

| Description | Offense/Disciplinary Action |
|---|-----------------------------|
| | Dismissal for Cause |
| Forced balance in forwarding (making up values/pax just to balance report, after report) (gross dishonesty) | 1 st |
| Changing amounts (Loan Guarantee Fund, full payment) after loan approval | 1 st |
| Changing amounts stated in Group Collection List, receipts, Passbook reconciliation summary form | 1 st |
| Changing dates to prevent marking of clients | 1 st |
| Paying for the client's loan | 1 st |
| Ride-on / shared loan | 1 st |
| Account juggling – transferring payments to other accounts | 1 st |
| Receiving payments without issuing receipt | 1 st |

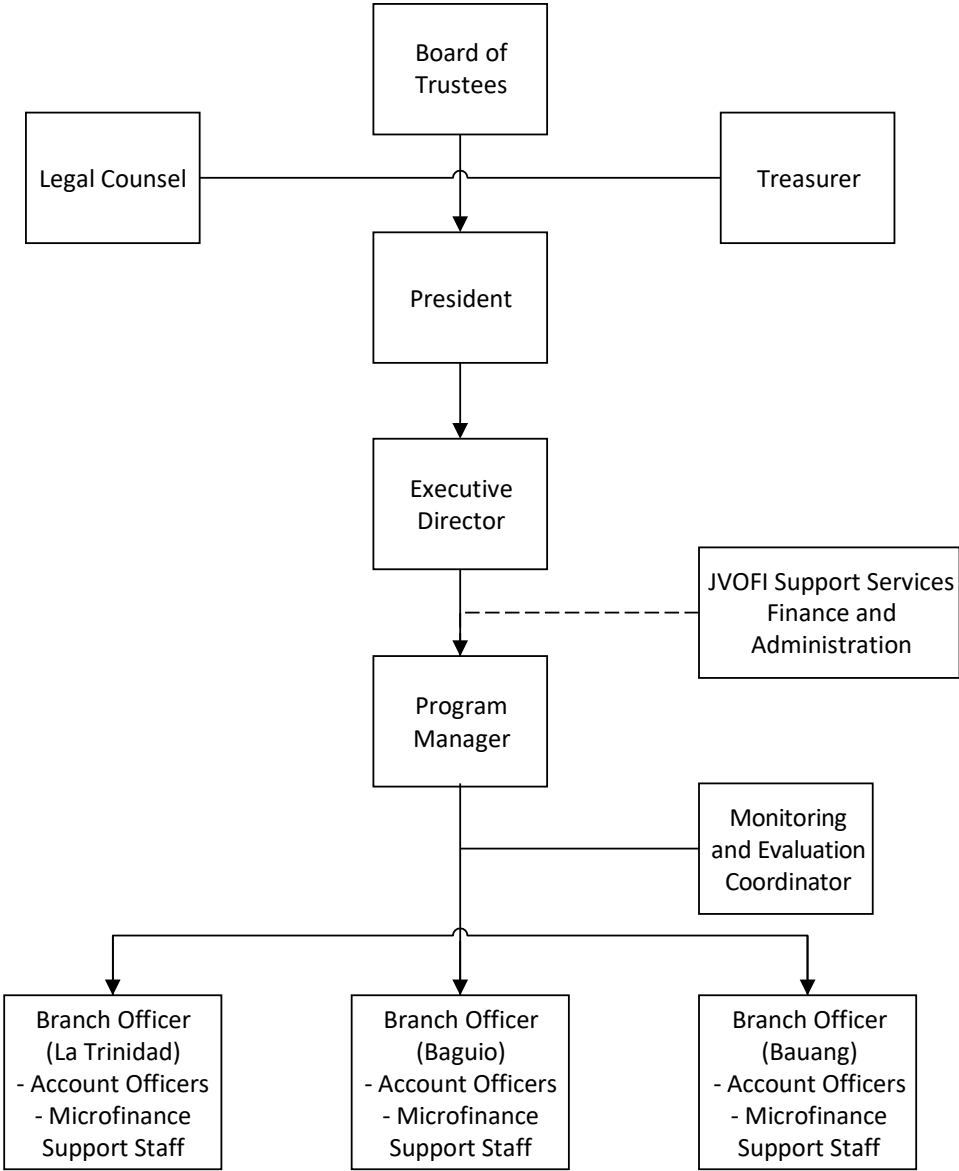
The Investigation Committee will decide if fraud cases warrants dismissal. Meaning dishonesty or gross negligence on the part of the staff has been established as reason for fraud. If during investigation and the presence of the staff hinders the process or poses a threat to the normal day-today operation of the staff, preventive suspension may be applied.

In cases where violations are not covered in this JVOMFI Manual of Operations or the disciplinary measures stated here are not deemed sufficient, the JVOFI institutional personnel policies and procedures apply.

XIV. Organizational Structure and Job Descriptions

A. Organizational Structure

JVOMFI is led by the Board of Trustees whose duties are specified in the Articles of Incorporation. The structure of the foundation is functional in nature and the specific duties and responsibilities are indicated in the each position’s job description. .



B. Job Description

Program Manager – Directly reporting to the Executive Director

1. Primary or Basic Function

Responsible for planning, organizing, leading and controlling the microfinance program in accordance with approved policies.

2. Details of Work Performed

- a. Monitors branch operations to ensure that branch officers implement the microfinance program in their own branches according to established policies, systems, and procedures.
- b. Recommends short-term and long-term business plans of the Microfinance Program
 - i. Initiates review and recommends update of loan policies and procedures.
 - ii. Ensures implementation of approved work plans.
 - Conducts regular meeting with staff to monitor accomplishment against target.
 - Recommends staff formation and/or incentive for staff
 - Spot-checks regularly and gives feedback to the concerned staff immediately.
 - iii. Monitors Branch Officers.
 - iv. Spot-checks LORs, cash book, BO's report and passbook of clients.
 - v. Reviews and approves loan application forms and endorses to the Executive Director for approval.
 - vi. Consolidates financial statements of the Program and prepares financial reports required by Donors.
 - vii. Reviews monthly portfolio report submitted by the Branch Officers.
 - viii. Ensures proper and adequate training of new staff before field immersion.
 - ix. Ensures timely corrective actions for infractions made by staff.

3. Limits of authority / accountability

- i. Accountability for property assigned semi-expendable assets approximately amounting to P50,000
 - Cash – CAs for monitoring; cash endorsement daily collection(shared)
- ii. Accountability for information – requires high accuracy on reports; strategic goals
- iii. Supervision (no. of personnel) – direct (3) ; indirect (13)
- iv. Coordination and/or interaction – internal – managers & staff; FinCom (3)
- v. Work hazards – exposure to risks such as accidents during field work
- vi. Others

4. Hiring Requirements

- i. Education – graduate of business course, masters degree preferred
- ii. Experience – at least 3 years managerial experience in the same industry
- iii. Other hiring requirements – team player, honest and trustworthy, can work under pressure.

Branch Officer – Directly reporting to the Program Manager

1. Primary or Basic Function

Under general supervision, is responsible for the branch operations of Microfinance Program.

2. Details of worked performed
 - a. Responsible for overall planning and approval of group formation.
 - b. Visits proposed target barangays before approving group formation by AO.
 - c. Validates new membership applications to countercheck entries written by applicants and the AOs.
 - d. Approves membership applications after all required criteria are complied with. BO to countercheck whether required passbooks are issued immediately after passbook fees are collected and reported in the DCIS.
 - e. Monitor AOs. Visits at least 2 groups daily and include in the monitoring the following.
 - Crosschecks the accounts in the loan register with client passbook
 - Validates loan usage and status of business activities
 - Clarifies program policies which are unclear to clients
 - Checks status of past due clients and seeks relevant information from the other members for the collection of their accounts.
 - f. Observes AOs work to find irregularities in the procedure taking appropriate measures for correction when necessary. BO to include monitoring of performance of elected officers' responsibilities.
 - g. Reviews loan application forms particularly on the following Microfinance policies before endorsement to Program Manager/ED for approval:
 - Entries in the client approved membership applications
 - Client's business requirements and other related information
 - Completeness and consistency of entries and supporting documents (i.e signatures, barangay clearance, co-borrower's identification and source of income).
 - Required LGF balance and performance of clients from previous loan (re-loan)
 - h. Accomplishes the monitoring form and discusses findings and recommended improvements with the concerned AO
 - i. Summarizes individual LORs of the AOs in the BO register. Ensures that figures total with the loan registers.
 - j. Scrutinizes loan registers for any unauthorized erasures or changes.
 - k. Checks the LORs and identifies delinquents clients whom AOs should immediately follow-up on or conduct sitdowns.
 - l. Checks LOR, DCIS, LDM, cash book, ORs, other account forms and registers for consistency of entries. Ensures that these are updated daily. Countersigns LORs, DCIS, weekly & monthly reports.
 - m. Signs individual loan register daily to signify these were reviewed by him/her.
 - n. May be assigned to handle cash of the branch.
 - o. Personally disburses loans:
 - Counterchecks client's passbook to verify identity of client coming to claim the loan
 - Records new loan released in the PB
 - Records loan released in the LDM
 - Strictly enforces the "no passbook, no release" policy
 - p. Is actively involved in collecting overdue loans or conducting sit-downs.
 - q. Prepares yearly LGF plan, disbursement plan, repayment plan and overall financial plan of the branch and implements it accordingly, subject for approval by the Executive Director.

- r. Pays all bills related to operational expenses of the branch and purchases all supplies necessary for smooth operation of the branch.
 - s. Prepares monthly LGF and loan portfolio report and submits them to the Executive Director through the PM.
 - t. Responsible for ensuring the accuracy of entries in the loan registers and passbooks by of the other Loan Officers within the Branch.
 - u. Responsible for coordinating and guiding the staff working under him/her.
 - v. Reviews savings withdrawal through checks by counterchecking in the LOR before endorsing to PM/ED.
 - w. BO to ensure strict implementation of the “zero tolerance on DQ” policy.
 - x. BO to sign accountable forms of AOs (OR, WS, DM) before sitdown.
 - y. BO reconcile weekly report on LGF and loans with the Bookkeeper.
3. Limits of authority / accountability
- a. Accountability for property – assigned semi-expendable assets
 - b. Accountability for cash – CAs for monitoring, cash endorsement by AO and daily collections (shared with AO)
 - c. Accountability for information – accuracy of reports
 - d. Supervision (no. of personnel) – direct – 6
 - e. Coordination and / interaction – co-staff, barangay officials,
 - f. Work hazards – exposure to risks such as accidents during field work
 - g. Others
4. Hiring Requirements
- a. Education – graduate of any 4 – year business related course.
 - b. Experience – at least 1 year supervisory experience in Microfinance Operations
 - c. Other hiring requirements – team player, honest and trustworthy, can work under pressure.

Monitoring and Evaluation (SPM) Coordinator – Directly reporting to the Program Manager

1. Primary or Basic Function
- The MEC shall monitor the implementation and success of the SPM initiatives by the program and making sure that systems, policies and procedures (SPPs) are being implemented properly and accurately.
2. Details of work performed
- i. Implements plans, strategies and specific activities to evaluate SPM objectives of microfinance unit.
 - ii. Analyzes data gathered and prepares recommendation to Management.
 - iii. Collaborates with the BOs in the development of the strategy and plans for SPM
 - iv. Assists the BOs in the implementation of SPM initiatives which would include but are not limited to the following:
 - Conduct of the following client surveys:
 - Client exit survey
 - Client satisfaction survey
 - PPI (progress out of poverty index) survey

- Training needs assessments
 - Monitoring, compiling and consolidating the social performance data
- v. Ensures the regular flow of communications/information between clients, management and staff.
- vi. Facilitates the preparation of the quarterly and annual reports on SPM initiatives conducted.
- vii. Conducts an operational and financial audit of all branches at least twice per fiscal year.
- viii. Evaluates the efficiency of SPPs and continuously looks and recommends for ways to improve them and make them relevant to the needs of the program and of the changing times.
- ix. Particularly on cash management, spot-checks flow of transactions from client level to Middle Management.

3. Limits of authority / accountability

- i. Accountability for property – semi- expendable assets assigned to MEC
- ii. Accountability for information – accuracy and timeliness of reports
- iii. Supervision (no. of personnel) – none
- iv. Coordination and / or interaction – with co-staff and MFI groups
- v. Work hazards – exposure to risks such as accidents during field work
- vi. MEC is not allowed to borrow money or ask any favor from clients
- vii. Others

4. Hiring Requirements

- i. Education – business related course
- ii. Other hiring requirements – team player, honest and trustworthy, hardworking.

Loan Officer – Directly reporting to the Branch Officer

1. Primary or Basic Function

The frontline worker and the main implementing personnel of the Branch's program components. He/she is responsible for group formation and management. He/she is also responsible for LGF collection and loan repayment.

2. Details of work performed

- a. Each AO is responsible for 15 groups of 300 members (on an average). These groups are to be formed 1- 5months, documenting the name, meeting time and place of each new group with the branch. Each AO has to visit at least 3 groups a day before noon, 5 days a week to collect LGF and loan amortizations.
- b. Requires group officers to select a suitable and conducive meeting place where adequate chairs are available.
- c. An hour is allotted for conducting each weekly collection and month group meeting where LGF and loan amortization are collected. The Group Secretary/ Treasurer records events (attendance, irregularities, loan proposals, etc.) in a record book (group resolution notebook) at each meeting.
- d. Counterchecks and signs group resolution notebook after tallying; a dash should be written in a blank entries.

- i. Accepts membership and passbook fee ONLY after the conduct of CI/BI and approved by the BO.
- ii. Conducts actual visit of client's business before approval.
- iii. Secures spouse's consent when validating client's place and business area when conducting CI/BI.
- iv. Counterchecks completeness of loan application before accepting from client and endorsing to BO.
- v. When a member expresses her inability to repay the loan amortization due to special circumstances, initiatives are to be taken immediately by visiting the borrower's house until the installment is recovered
- vi. Always brings demand letters during collection to facilitate issuance during group meetings for clients who were not able to pay their amortizations.
- vii. Strictly enforces provisions in the demand letters so clients will know our serious intentions to collect.
- viii. Must deposit collections and attach deposit slip in the DCIS. The AO must maintain the AO register correctly on a daily basis.
- ix. Must sign the logbook upon arriving at the office to record their attendance and accomplishes a tracer each time before leaving the office indicating their time of departure and destination.
- x. Exerts extra care in filling-up accountable forms to avoid corresponding penalties for violations that may be imposed.

3. Limits of authority / accountability

- i. Accountability for property – semi- expendable assets assigned to AO
- ii. Accountability for cash – daily collection and CAs for monitoring
- iii. Accountability for information – accuracy of AOs and reports
- iv. Supervision (no. of personnel) – none
- v. Coordination and / or interaction – with co-staff and MFI groups
- vi. Work hazards – exposure to the natural elements and risks of accidents, theft or robbery during field work; exposure to risk of bribery or gifts from clients seeking favorable outcomes of loan applications
- vii. AO is not allowed to borrow money or ask any favor from clients
- viii. Others

4. Hiring Requirements

- i. Education – at least college level or college graduate
- ii. Other hiring requirements – team player, honest and trustworthy, hardworking.

Microfinance Support Staff – Directly reporting to the Branch Officer

1. Primary or Basic Function

Supports the branch staff in the implementation of its programs and services. He/she is responsible for monitoring cash collections, office supplies and monthly meetings and manages client data in the system.

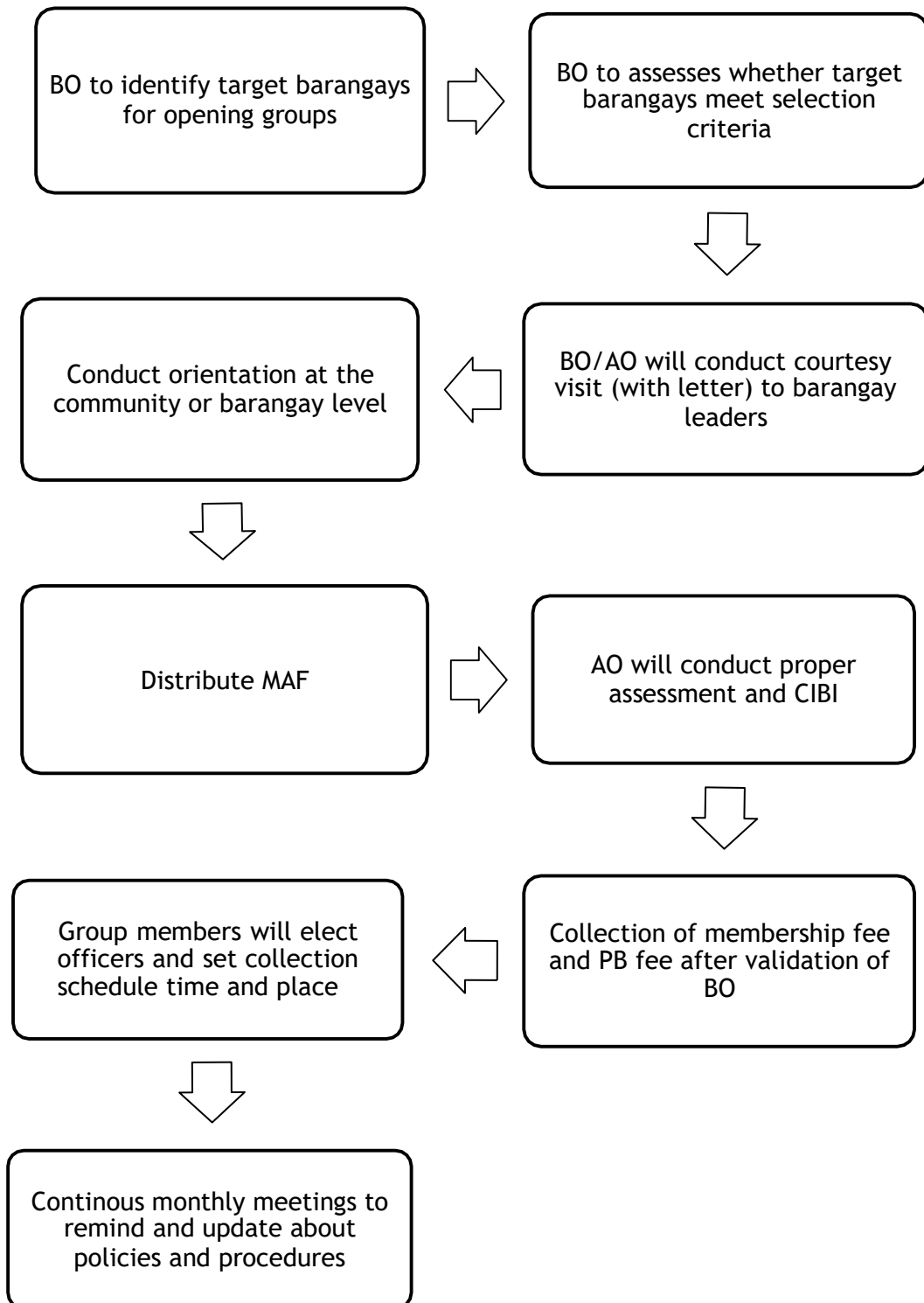
2. Details of work performed

- 1. Ensures that cash collections are accounted for.
 - i. Checks DCIS before forwarding to BO and Bookkeeper

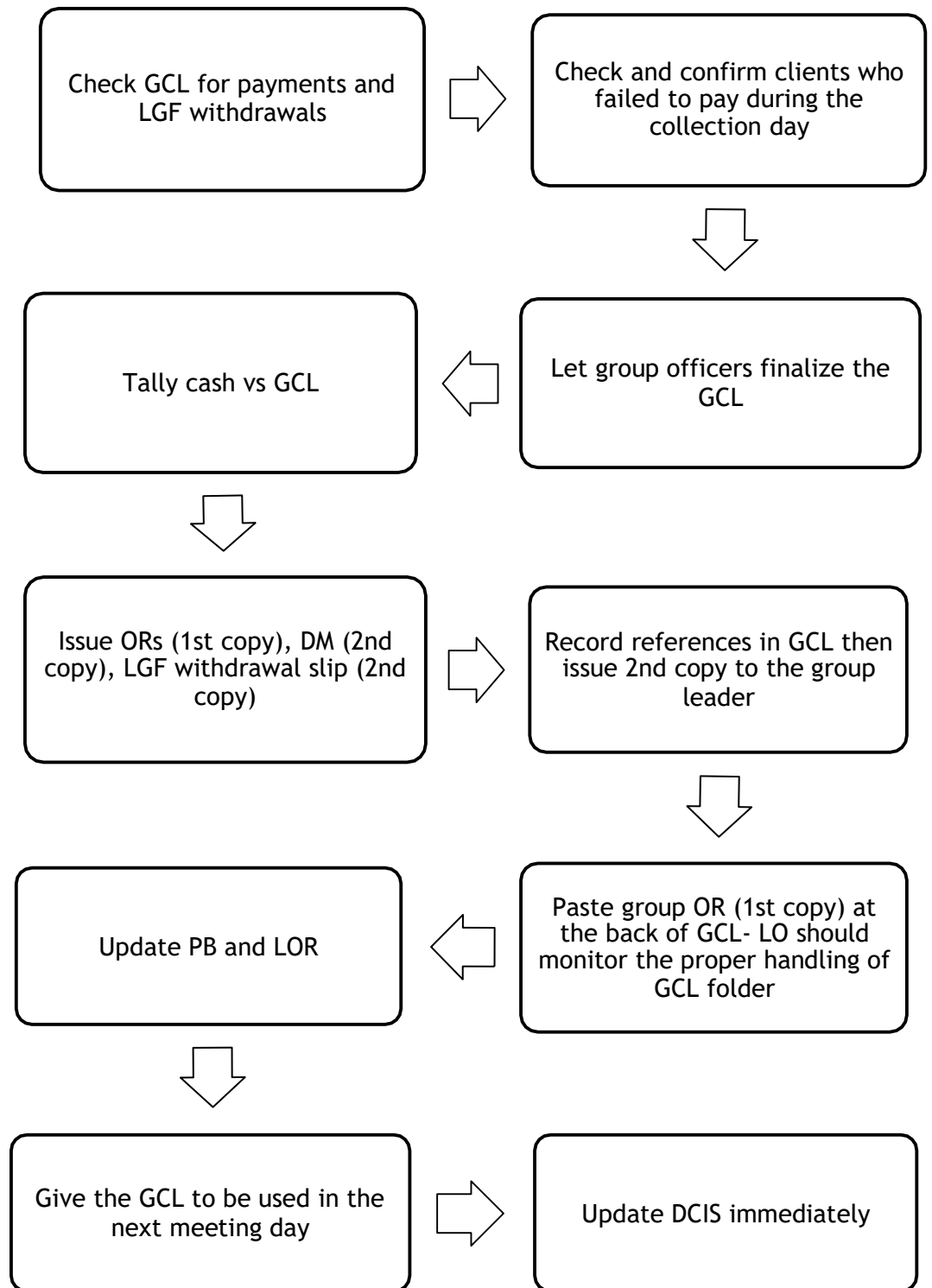
- ii. Records all office collections and endorses cash-on-hand to the Branch Officer at the end of the day
 - iii. Makes sure that all cash-on-hand are deposited within the day or the next banking day
- 2. Assists walk-in clients.
 - i. Accepts payments and application for LGF withdrawals
 - ii. Conducts exit interview for returning clients
 - iii. Assists Branch Officer in the loan release
- 3. Monitors office supplies.
 - i. Monitors inventory of office supplies
 - ii. Places requisitions before buffer runs out
 - iii. Canvasses supplies and other purchases needed by the staff for operations
- 4. Monitors monthly meetings
 - i. Compiles group meeting agenda, attendance
 - ii. Facilitates purchase, raffle and release of grocery bonanza
- 5. Manages client profile in the MF system
 - i. Encodes client data before loan processing
- 6. Reports and records submitted
 - i. Monthly summary of group meetings conducted
 - ii. Monthly release of grocery bonanza
 - iii. Monthly supplies inventory
 - iv. Monthly summary of credit group life (CGL) and bordereaux form
- 3. Limits of authority / accountability
 - a. Accountability for property – semi- expendable assets assigned to AO
 - b. Accountability for cash – daily office collection and CAs for monitoring
 - c. Accountability for information – accuracy of data in system and reports
 - d. Supervision (no. of personnel) – none
 - e. Coordination and / or interaction – with co-staff and MFI groups
 - f. Work hazards – office
 - g. MSS is not allowed to borrow money or ask any favor from clients
 - h. Others
- 4. Hiring Requirements
 - a. Education –graduate of business-related course
 - b. Other hiring requirements – team player, honest and trustworthy, hardworking.

XV. Work Flows

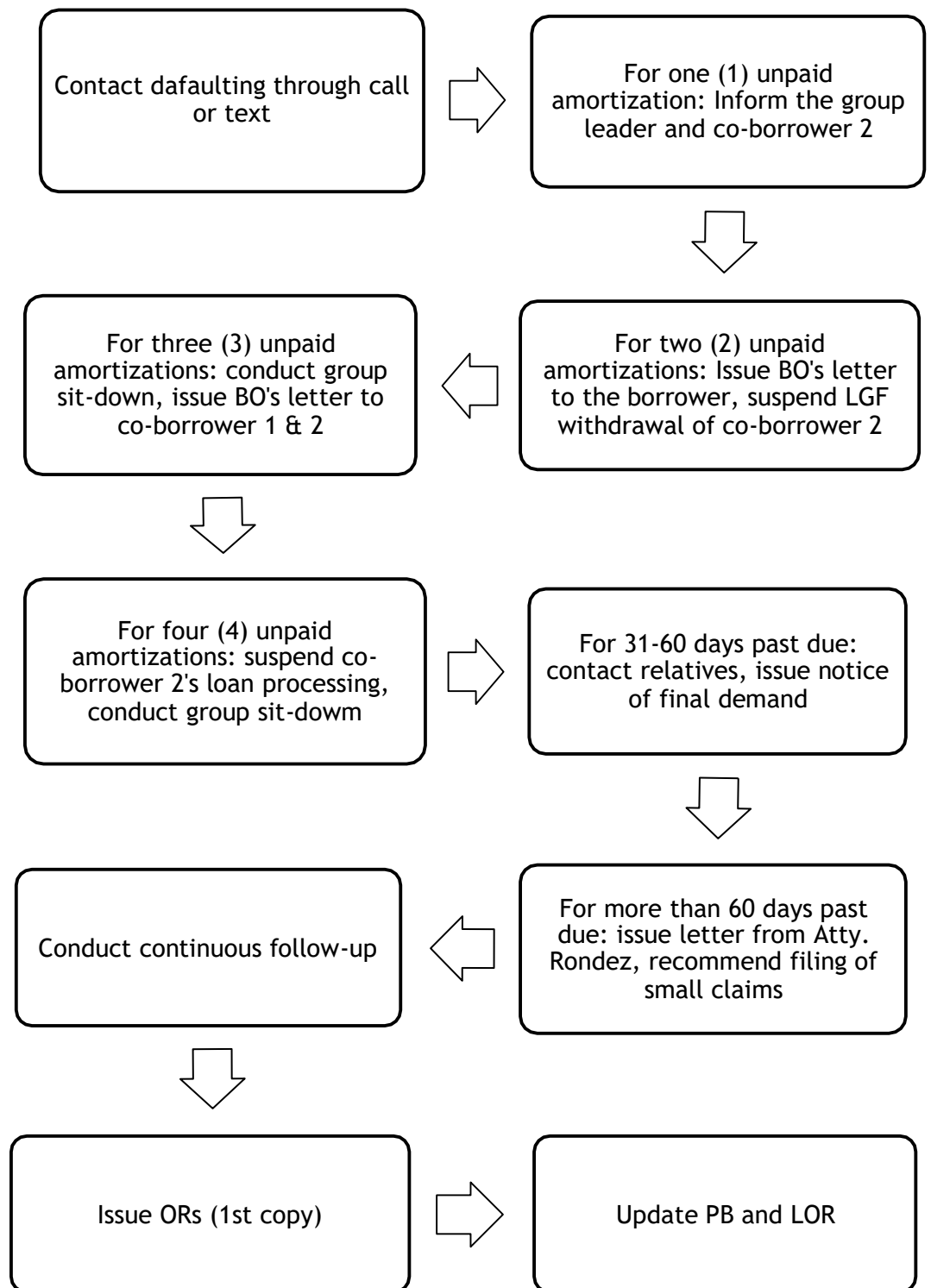
A. Group Formation



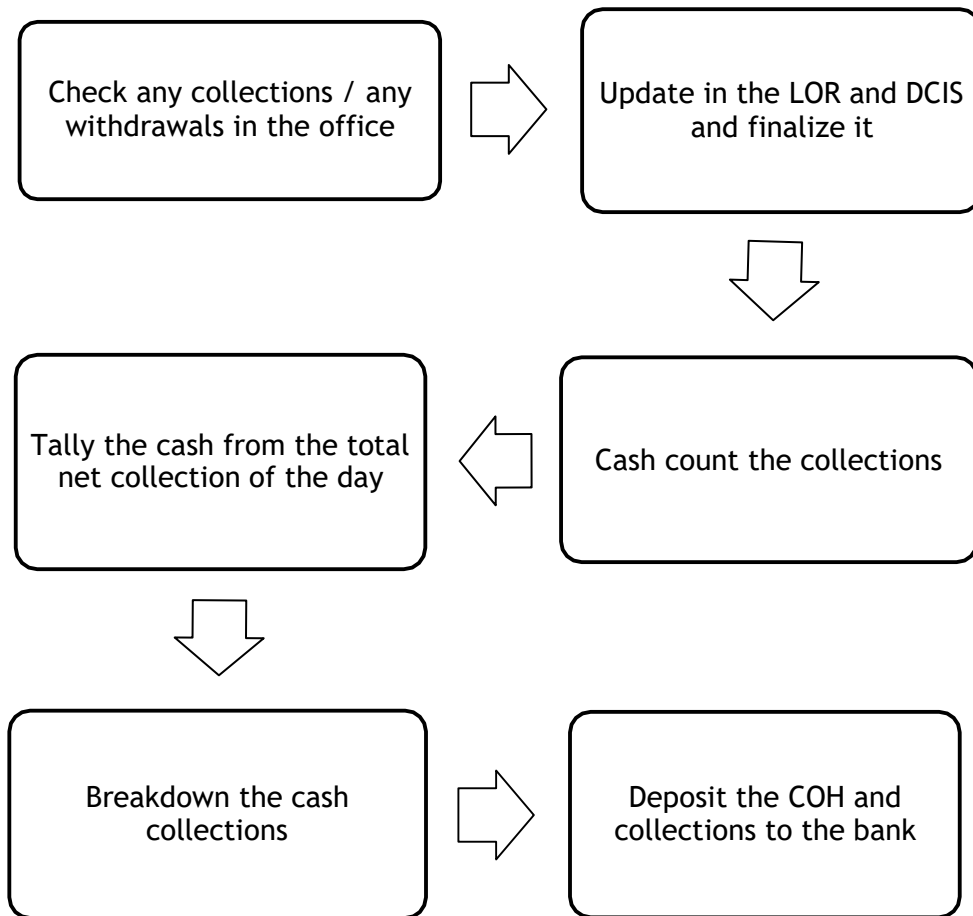
B. Collections in the Field



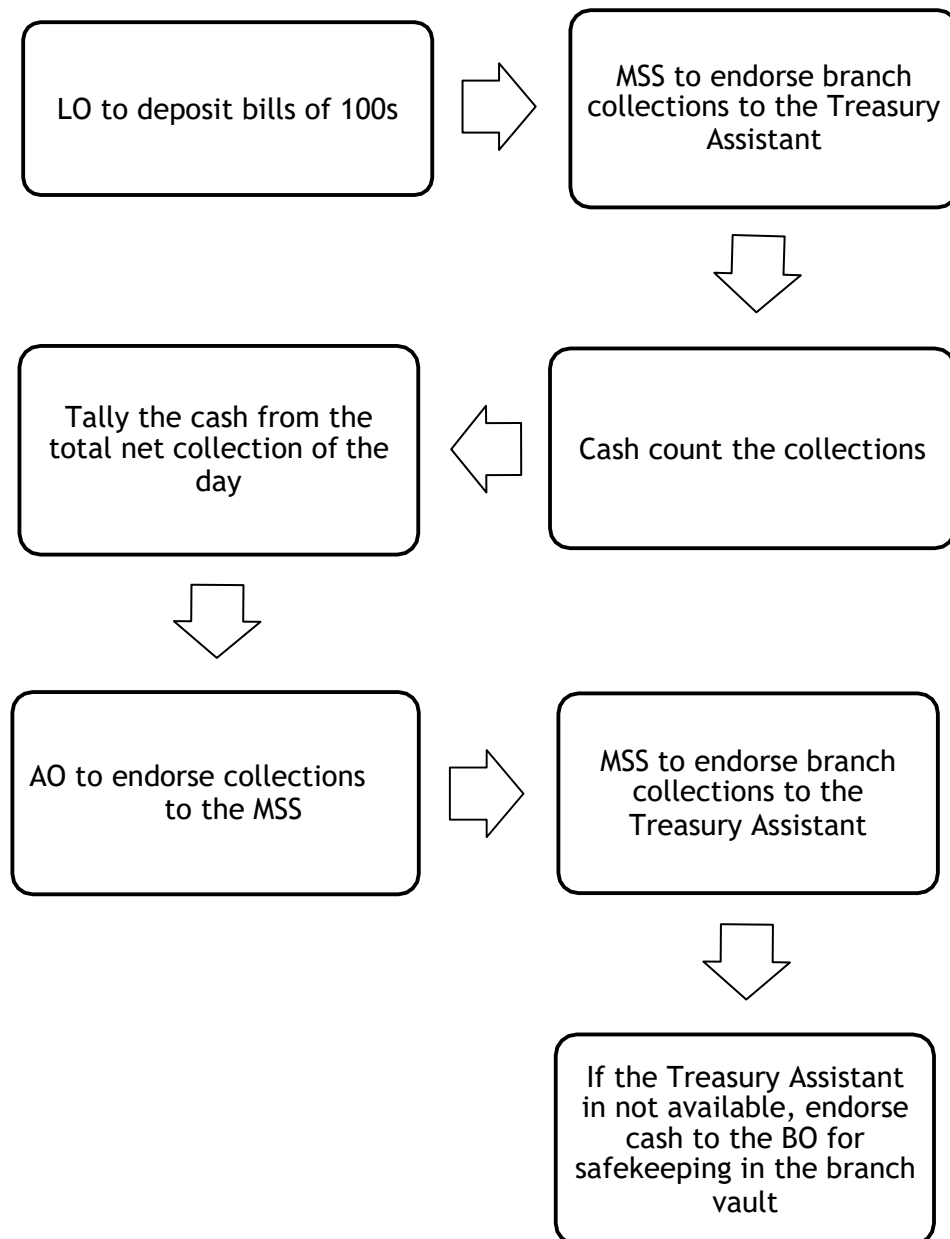
C. Collections in the Field for Sit-downs



D. Summarizing of Collection in the Office

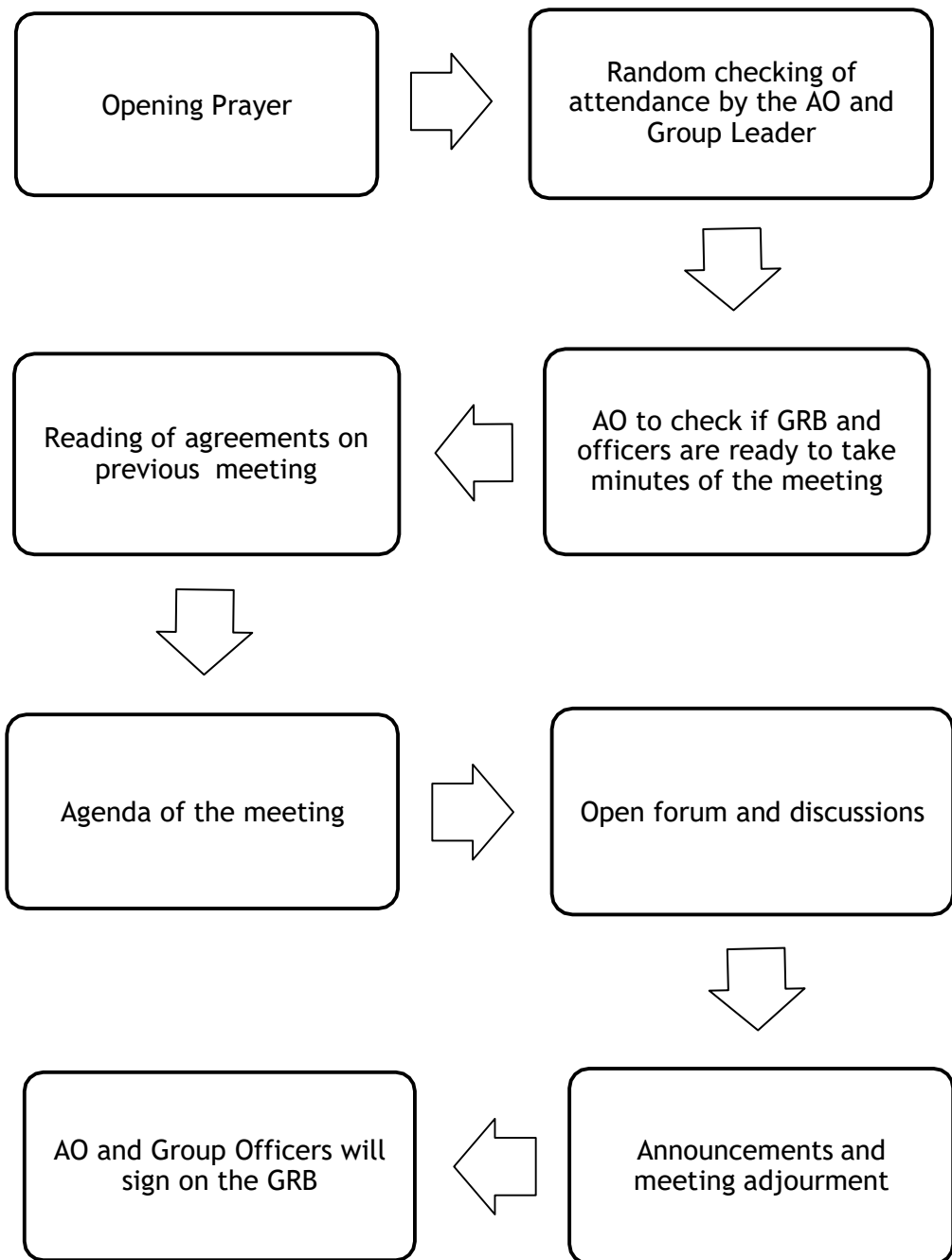


E. Collections after Banking Hours and Holidays



F. Monthly meeting

AO will facilitate the meeting with the assistance of group leaders



XVI. Appendix

A. Communication Letters

- Courtesy Letter to the *Punong Barangay* – to be given to the *Punong Barangay* before forming a group
- Reminder letter signed by the AO
- Reminder letter addressed to the borrower signed by the BO
- Reminder letter addressed to the co-borrower signed by the BO
- Final demand letter signed by the BO
- Demand letter by Atty. Rondez

B. Social Performance Monitoring

1. JVOMFI Monitoring on Key Result Areas

| Objectives/Indicators | Target | Actual | Variance | Reason for Variance |
|---|--------|--------|----------|---------------------|
| 1. Increase in outreach and portfolio | | | | |
| 1.1 Number of borrowers | | | | |
| 1.2 Client retention rate | | | | |
| 1.3 Increase in portfolio | | | | |
| 2. Clients' businesses that are not harmful to the environment | | | | |
| 2.1 Mining activities should not use harmful chemicals and observe responsible waste disposal (DENR/barangay clearance, membership to a regulated mining association) | | | | |
| 2.2 Handicrafts or furniture should not use hardwood as classified by DENR (validation of AO/BO, picture of products) | | | | |
| 3. New products to cater to client's specific needs | | | | |
| 4. Upward movement of clients in the poverty line | | | | |
| 4.1 Prevention of client over-indebtedness | | | | |
| 4.1.1 Clients with maximum of 2 MFIs only | | | | |
| 4.1.2 Loan amount should not exceed their loanable amount from cash flow analysis | | | | |
| 4.2 Increasing percentage of clients moving up in their poverty score card | | | | |
| 2. Treat clients responsibly | | | | |
| 2.1 Client complaints received | | | | |

1. MFI Universal Social Performance Monitoring Checklist

| Indicator | YES (1) | NO (0) | Means of Verification |
|--|------------|-----------|--------------------------|
| DEFINE AND MONITOR SOCIAL GOALS | | | |
| 1. The MFI has a vision/mission statement that clearly states the low-income people as target clientele. | | | |
| 2. The MFI circulates the vision/mission to both management and staff. | | | |
| 3. The MFI has a strategy that clearly defines the specific characteristics of the target clientele. | | | |
| 4. The MFI has identified specific indicators that measures its progress towards attaining its social goals, including gender and environment. | | | |
| ENSURE BOARD, MANAGEMENT AND EMPLOYEE COMMITMENT TO THE SOCIAL GOALS | | | |
| 5. The members of the board, are given orientation on the social goals of the MFI | | | |
| 6. The management is given orientation on the social goals of the MFI | | | |
| 7. The employees are given continuing orientation on the social goals of the MFI | | | |
| 8. The MFI has identified specific social indicators (including gender and environment) to measure MFI performance vis-à-vis social goals | | | |
| 9. The board uses social performance data to provide strategic direction considering both social and financial goals. | | | |
| | | | |
| DESIGN PRODUCTS, SERVICES AND DELIVERY CHANNELS THAT MEET THE CLIENT'S NEEDS AND PREFERENCES | | | |
| 10. The MFI conducts market research before introducing or modifying products and services. | | | |
| 11. The MFI conducts client satisfaction surveys and exit surveys. | | | |
| 12. The MFI uses the result of the client satisfaction and exit surveys in designing/improving its products and services. | | | |
| ABIDE BY CLIENT PROTECTION PRINCIPLES | | | |
| <i>Prevention of over indebtedness</i> | | | |
| 13. To prevent over indebtedness among clients, MFI adopts a loan policy that defines the maximum percentage of a borrower's disposable income that can be applied to debt service, including debt from the MFI and other lenders. This amount is used to determine the maximum loan amount and terms. | | | |
| 14. The MFI submits and access credit data of all borrowers to and from the CIC and/or MIDAS | | | |

| Indicator | YES (1) | NO (0) | Means of Verification |
|---|--------------------|-------------------|----------------------------------|
| 15. The MFI conduct repayment capacity analysis of each clientele prior to loan approval | | | |
| Transparency | | | |
| 16. Policy and documented processes on the transparency in product terms, conditions and pricing are in place. | | | |
| 17. The MFI discloses to clients all relevant costs related to the financial products and services it offers. | | | |
| 18. The MFI gives clients adequate time to review the terms and conditions of financial products, ask questions and receive additional information prior to signing of contracts. | | | |
| 19. The MFI complies with the Truth in Lending Act by clearly stating the amount and method of interest rate computation in the disclosure statement. | | | |
| Fair and respectful treatment of clients | | | |
| 20. The MFI has a code of conduct that promotes the fair and respectful treatment of clients. | | | |
| 21. A policy that clearly defines appropriate and inappropriate collection practices by both staff and collection agents is in place and enforced. | | | |
| 22. The MFI trains its staff and third party collection agents on debt collection practices and loan recovery procedures. | | | |
| Mechanism for Complaint Resolution | | | |
| 23. The MFI has an effective mechanism in place to receive and resolve complaints from clients. | | | |
| 24. The MFI informs its clients about their rights to complain and how to submit a complain. | | | |
| Privacy of Client Data | | | |
| 25. Client data (personal, transactional and financial) is kept secure and confidential through an established policy and documented processes. | | | |
| 26. Clients are informed about data privacy and the need for consent prior to the use of client-related data and information. | | | |
| TREAT EMPLOYEES RESPONSIBLY | | | |
| 27. A written human resource policy compliant with the Labor Code, Gender-related and Persons with disability laws is in place and is made available to all employees. | | | |
| 28. The MFI complies with the minimum wage law. | | | |
| 29. The MFI communicates to its employees the terms of their employment. | | | |
| 30. The MFI provides continuous training to its staff and employees. | | | |

| Indicator | YES (1) | NO (0) | Means of Verification |
|--|------------|-----------|--------------------------|
| 31. The staff and employees are properly compensated for overtime work rendered. | | | |

C. Paycard Risk Assessment and Control Procedures

| Process (Starts after approval of check vouchers) | Involved | Observation Where Risk Comes From | Impact of the Risk * | | | | | | Action Plan: Control Measures to Prevent, Mitigate/ Reduce the Impact of the Risk |
|---|----------------------|---|---------------------------------|---|---|-----------------------------|---|---|--|
| | | | Seriousness of the consequences | | | Probability of it happening | | | |
| | | | H | M | L | H | M | L | |
| I. Encoding of data online and preparation of summary of disbursement | | | | | | | | | |
| A. Treasury Assistant encodes loan amount for disbursement (using online banking) 1. Prints out summary of disbursement 2. Makes corrections if necessary | - Treasury Assistant | - In-accurate data encoded - Delays may be encountered if Treasury Assistant is not around | ✓ | | | | | ✓ | - Always refer to the loan forms, approved insurance claims, LGF withdrawal forms - General Accountant takes the role of the Treasury Assistant |
| B. General Accountant checks accuracy of encoded data | - General Accountant | - In-accurate data - Delays may be encountered if General Accountant is not around | ✓ | | | | | ✓ | - Always refer to the loan forms, approved insurance claims, LGF withdrawal forms - Finance Manager or Accounting Supervisor takes the role of the General Accountant |
| II. Approval of summary of disbursement | | | | | | | | | |
| A. Program Manager approves summary of disbursement | - Program Manager | - Delays may be encountered if the PM is not around | | ✓ | | | | ✓ | - In the absence of the PM the other officer designated as an approved authorizer |

| Process (Starts after approval of check vouchers) | Involved | Observation Where Risk Comes From | Impact of the Risk * | | | | | | Action Plan: Control Measures to Prevent, Mitigate/ Reduce the Impact of the Risk |
|--|-------------------------|--|------------------------------------|---|---|--------------------------------|---|---|---|
| | | | Seriousness of the consequences | | | Probability of it happening | | | |
| | | | H | M | L | H | M | L | |
| | | - Insufficient review by OIC when the PM is unavailable | ✓ | | | | | ✓ | will sign the summary of disbursement for MF. - OIC for MF will be the BO and will perform the same level of diligence in checking loan applications. |
| B. Executive Director approves summary of disbursement | - Executive Director | - Insufficient review by OIC in the event that the ED is unavailable due to leave or other business | ✓ | | | | | ✓ | - The General Accountant or Finance Manager should check summary of disbursement vs. approved amounts prior to signing by the OIC. - OIC performs the same level of diligence in checking loan applications. Refers to the summary of loan approval. |

| Process (Starts after approval of check vouchers) | Involved | Observation Where Risk Comes From | Impact of the Risk * | | | | | | Action Plan: Control Measures to Prevent, Mitigate/ Reduce the Impact of the Risk |
|--|--|--|---------------------------------|------------|---|-----------------------------|---|------------|---|
| | | | Seriousness of the consequences | | | Probability of it happening | | | |
| | | | H | M | L | H | M | L | |
| C. Treasury Assistant notifies authorizers through email | - Treasury Assistant | - Delayed notification that will give authorizers insufficient time for review therefore haphazardly approving payments - No internet connection available in the field/outside the office or authorizer is indisposed or busy with official activities and has no time to check the internet on short notice | | ✓ ✓ | | | | ✓ ✓ | - Treasury Assistant informs the authorizers. - MF should give sufficient lead time for review and approval to avoid rush requests. - Authorizers should inform MF ahead of time of their schedules. - Authorizers for each level has an alternate in case one is not available. |
| D. Authorizers authorize transaction | - Branch Officer, Program Manager – MF/EE, Finance Manager, Executive Director | - No internet connection available in the field/outside the office or authorizer is indisposed or busy with official activities and has no | | ✓ | | | ✓ | | - Treasury Assistant informs authorizers through text - Authorizer notifies Treasury Assistant through text or call so that adjustments will be made |

| Process (Starts after approval of check vouchers) | Involved | Observation Where Risk Comes From | Impact of the Risk * | | | | | | Action Plan: Control Measures to Prevent, Mitigate/ Reduce the Impact of the Risk |
|---|--|---|---------------------------------|---|---|-----------------------------|---|---|---|
| | | | Seriousness of the consequences | | | Probability of it happening | | | |
| | | | H | M | L | H | M | L | |
| | | time to check the internet on short notice - Poor internet connection that may result to blocking of authorizer caused by consecutive logon failures - Logon details may be compromised | ✓ | ✓ | | | ✓ | ✓ | - If complete set of authorizers cannot be completed, issue check instead - Inform Treasury Assistant as soon as possible - Each authorizer is responsible for ensuring the security of his/her logon details |
| III. Release of Paycard to MF | | | | | | | | | |
| A. Admin Staff releases paycard to MSS 1. Client signs on the loan disbursement master roll where card number is indicated | - Admin Staff - MSS - Treasury Assistant | - Delays in release of paycard if the Admin Staff is not available - Out-of-stock paycard | | ✓ | | | | ✓ | - Admin Staff should endorse paycard in case of long absence - Admin Staff to notify MSS of errand or leave - Admin Staff should inform Treasury Assistant before shortage of paycard. Re-order level for |

| Process (Starts after approval of check vouchers) | Involved | Observation Where Risk Comes From | Impact of the Risk * | | | | | | Action Plan: Control Measures to Prevent, Mitigate/ Reduce the Impact of the Risk |
|--|----------|-----------------------------------|---------------------------------|---|---|-----------------------------|---|---|--|
| | | | Seriousness of the consequences | | | Probability of it happening | | | |
| | | | H | M | L | H | M | L | |
| | | - Unreleased paycards | | ✓ | | | ✓ | | <p>paycard is 60pcs/ branch.</p> <p>- In the event that there is no available paycard, check disbursements will be made</p> <p>- MSS should surrender all un-released paycards to the Treasury Assistant, while the PIN and instruction sheet should be surrendered to Admin. This is for safekeeping and should be done at the end of the day. MSS should maintain logbook for monitoring.</p> <p>- Un-released paycards after 2 weeks will be cancelled.</p> |
| IV. Disbursement – Loan, Insurance Benefits, LGF Withdrawals | | | | | | | | | |

| Process (Starts after approval of check vouchers) | Involved | Observation Where Risk Comes From | Impact of the Risk * | | | | | | Action Plan: Control Measures to Prevent, Mitigate/ Reduce the Impact of the Risk |
|---|--|---|------------------------------------|---|---|--------------------------------|---|---|--|
| | | | Seriousness of the consequences | | | Probability of it happening | | | |
| | | | H | M | L | H | M | L | |
| A. MSS prepares Loan Disbursement Master roll (LDM) | - MSS | - Error in recording client names and card numbers | ✓ | | | | | ✓ | <ul style="list-style-type: none">- MSS to cross check LDM against Card Production Control Report- MSS should have the client sign on the Card Production Control Report- Paycard number should be reflected in the PB, MAF and LAF. This will form part of tracking paycards. |
| B. MSS / BO to release CV, disclosure statement, amortization schedule, passbook to client | <ul style="list-style-type: none">- MSS- BO | - Clients who already have their paycards may not be able to sign CV and disclosure as soon as the amount is credited to their account | | ✓ | | ✓ | | | <ul style="list-style-type: none">- LO should have the CV and disclosure statement signed in the field on the client's next collection schedule.- MSS to check CVs and disclosure statements within 1 week to ensure completeness of documents. |

| Process (Starts after approval of check vouchers) | Involved | Observation Where Risk Comes From | Impact of the Risk * | | | | | | Action Plan: Control Measures to Prevent, Mitigate/ Reduce the Impact of the Risk |
|---|----------------------------------|--|---------------------------------|---|---|-----------------------------|---|---|---|
| | | | Seriousness of the consequences | | | Probability of it happening | | | |
| | | | H | M | L | H | M | L | |
| C. MSS / BO to release paycard with PIN instruction sheet to the client | <div>- MSS</div> <div>- BO</div> | - Client may not know how to use paycard | | ✓ | | | | ✓ | - New paycard should have attached instructions for use and PIN |
| | | - Bank errors that delays withdrawal of clients, e.g. debiting of amount in paycard account without actual cash withdrawal | ✓ | | | | ✓ | | - Inform clients to notify LO or go to the MBTC servicing branch for checking as soon as possible |
| | | - Paycard is unreadable | ✓ | | | | | ✓ | Client to surrender paycard to JVOFI for checking and replacement if it is defective. |
| | | - Client loses paycard | | ✓ | | | ✓ | | - MSS/BO reminds first-time paycard holders of the policies for the paycards including the costs for lost paycard |
| | | | | | | | | | - Client should give written letter to JVOFI explaining the |

| Process (Starts after approval of check vouchers) | Involved | Observation Where Risk Comes From | Impact of the Risk * | | | | | | Action Plan: Control Measures to Prevent, Mitigate/ Reduce the Impact of the Risk |
|---|-------------------------------|--|---------------------------------|---|---|-----------------------------|---|---|--|
| | | | Seriousness of the consequences | | | Probability of it happening | | | |
| | | | H | M | L | H | M | L | |
| | | - MSS may interchange paycards and PIN instruction sheet | ✓ | | | | | ✓ | incident of lost paycard. - BO/PM to give incident report to Finance and Admin for administrative investigation. - MSS should check card number if it is the same with the code in the PIN instruction sheet - MSS should notify client about the error as soon as possible and issue the correct paycard or PIN instruction sheet - MSS to notify Treasury Assistant to check if the balance is still in the respective accounts. |
| D. MSS to give a copy of Card Production Control Report with clients' receiving | - MSS - Treasury Assistant | - Misplace receiving copy of Card Control Report | | ✓ | | | | ✓ | - MSS to keep MF file of Card Production Control Report |

| Process (Starts after approval of check vouchers) | Involved | Observation Where Risk Comes From | Impact of the Risk * | | | | | | Action Plan: Control Measures to Prevent, Mitigate/ Reduce the Impact of the Risk |
|---|-----------------------|---|------------------------------------|---|---|--------------------------------|---|---|---|
| | | | Seriousness of the consequences | | | Probability of it happening | | | |
| | | | H | M | L | H | M | L | |
| signature to the Treasury Assistant | | - Client has no receiving signature | | ✓ | | | ✓ | | - Check clients’ receiving signature before forwarding a copy to the Treasury Assistant |
| i. LGF Withdrawal of Return Clients | | | | | | | | | |
| A. Client to surrender paycard and PIN to MSS/BO/LO. | - MSS - BO - LO | - Client loses paycard | | ✓ | | | | ✓ | - Remind clients of their responsibility and accountability when holding paycard - Client should give written letter to JVOFI explaining the incident of lost paycard. - BO/PM to give incident report to Finance and Admin for administrative investigation. |
| B. MSS/BO to conduct exit interview | - MSS - BO | - Cannot be done if the client returns on the field | | | ✓ | | ✓ | | - LO should note reason for reference of the M&E Coordinator. |

| Process (Starts after approval of check vouchers) | Involved | Observation Where Risk Comes From | Impact of the Risk * | | | | | | Action Plan: Control Measures to Prevent, Mitigate/ Reduce the Impact of the Risk |
|--|-----------------------|--|---------------------------------|---|---|-----------------------------|---|---|--|
| | | | Seriousness of the consequences | | | Probability of it happening | | | |
| | | | H | M | L | H | M | L | |
| C. MSS/BO to surrender paycard and sealed PIN to Treasury Assistant for checking of balance | - MSS - BO - LO | - Unavailability of Treasury Assistant | | | ✓ | | | ✓ | - Advise General Accountant of the surrendered paycard. |
| D. Treasury Assistant to check balance and inform Bookkeeper to add balance to client's LGF 1. Bank statement should be attached as basis for check preparation | - Treasury Assistant | - Delayed bank statement that may be due to technical errors | | ✓ | | | ✓ | | - Advise client of the delay |
| E. PM to make a request letter to MBTC to swipe back the balance to the branch account | - PM | - Inaccurate figure | ✓ | | | | | ✓ | - Check balance and attach balance notification (from MBTC) to the request letter. |
| F. MSS/BO to forward exit interview form, paycard, PB, debit memo and LGF withdrawal for check preparation | - MSS - BO | - Incomplete supporting documents | | | ✓ | | ✓ | | - Check supporting documents before forwarding to Bookkeeper. |
| G. MSS/BO to release check to client | - MSS - BO | - Client does not comeback for final check | | | ✓ | | | ✓ | - LO to remind client to pick-up check. |
| i. Surrendering paycards to MBTC | | | | | | | | | |
| A. Treasury Assistant will surrender used paycards | - Treasury Assistant | - Lost paycard | | | ✓ | | | ✓ | - Surrender paycards to MBTC on a |

| Process (Starts after approval of check vouchers) | Involved | Observation Where Risk Comes From | Impact of the Risk * | | | | | | Action Plan: Control Measures to Prevent, Mitigate/ Reduce the Impact of the Risk |
|--|---------------------------------------|-----------------------------------|---------------------------------|---|---|-----------------------------|---|---|---|
| | | | Seriousness of the consequences | | | Probability of it happening | | | |
| | | | H | M | L | H | M | L | |
| to MBTC and close the individual paycard account | | | | | | | | | weekly basis avoid misplacing or losing it. |
| Claiming and safekeeping of paycards | | | | | | | | | |
| A. Admin staff to update MSS of inventory of paycards | - Admin Staff - MSS | - Out of stock paycard | | ✓ | | | | ✓ | - Admin Staff to update paycard inventory to MSS |
| B. PM to request through the Finance Manager for paycards if stock level reaches 60 pieces | - PM - Finance Manager | - No available stock from MBTC | | ✓ | | | | ✓ | - Finance Manager to advise MBTC of paycard requests as soon as possible. |
| C. Paycards issued by MBTC will be forwarded to Admin staff for safekeeping | - Treasury Assistant - Admin Staff | - Damaged paycards | | | ✓ | | | ✓ | - Check paycards before receiving from MBTC. |