



**U.P. CREDIT COOPERATIVE
FERNANDEZ HALL**

Delos Reyes Street corner C.P. Garcia
U.P. Campus, Diliman, Quezon City
Telefax nos. 8924-8002/8646-8862

INTERNAL CONTROL POLICIES

A. POLICY STATEMENT

The **U.P. Credit Cooperative**, herein under referred to as UPCC is committed to responsible financial management. The entire UPCC including the Board of Directors and staff will work together to make certain that all financial matters are addressed with care, integrity and in the best interest of UPCC.

These policies and procedural guidelines are designed to:

- a. Protect the assets of the UPCC
- b. Ensure the maintenance of accurate records of its financial activities
- c. Provide a framework of operating standards and behavioral expectations; and
- d. Ensure compliance with legal and government reporting requirements.

Internal controls function to minimize risks and protect assets, ensure accuracy of records, promote operational efficiency, and encourage adherence to policies, rules, regulations, and laws.

The Manager of UPCC has the responsibility for administering these policies and ensuring compliance with procedures that have been approved by the Board of Directors. Exception to written policies may only be made with the prior approval of the Board of Directors. Changes and amendments to these policies may be approved by the Board of Directors at any time.

Every Director and Staff with financial related responsibility is expected to be familiar with and operate within the parameters of these policies and guidelines.

B. SEPARATE DUTIES

No single employee shall control a financial transaction from beginning to end. The person who writes checks shall not be the person who signs checks. The person who opens the mail shall not record the receivables and reconcile the accounts.

C. RECEIVABLES

More than one employee shall be involved in counting and verifying incoming receipts. Make sure all incoming checks are properly endorsed. UPCC shall have a "for deposit only" stamp and it shall be used on all incoming checks.

D. BOOKEEPER'S MANDATORY VACATION

Employees who perform accounting/bookkeeping shall take vacation every year. Ideally this vacation should be at two weeks in length and occur at month's end, when the books

are being closed. At this time, someone else shall review UPCC's books and look for discrepancies.

E. BOOKKEEPING SYSTEM

The Board must be familiar with UPCC's bookkeeping system. At a minimum, the following will comprise the bookkeeping system:

a. CHART OF ACCOUNTS

The Chart of Accounts is a list of each item which the accounting system tracks. Each account is assigned an identifying number for use within the accounting system.

b. GENERAL LEDGER

The General Ledger organized information by account. The chart of accounts acts as the table of contents to the general ledger.

c. JOURNALS and SUBSIDIARY JOURNALS

Journals, also called books of original entry, are used to systematically record all accounting transactions before they are entered into the general ledger. Journals organize information chronologically and by transaction type (receipts, disbursements, other).

- i. Cash Disbursement Journal – a chronological record of checks that are written, categorized using the chart of accounts.
- ii. Cash Receipts Journal – a chronological record of all deposits that are made, categorized using the chart of accounts.
- iii. General Journal – a record of all transactions which do not pass through the checkbook, including non-cash transactions (such as accrual entries and depreciation).

Subsidiary journals include:

- iv. Payroll Journal
- v. Accounts Payable Journal and Accounts Receivable Journal track income and expense accruals.

d. POSTING – the process of transferring information from the journals to the general ledger

F. DOCUMENT SECURITY

- a. Financial statements, proposals, client information, reports, receipts, bills, invoices, etc. shall NOT be tossed in the trash. These and other documents shall be shredded.
- b. Regular spot checks of the trash after hours shall be conducted by the Manager.

G. TERMINATED EMPLOYEES

- a. The Manager shall have all locks changed when an employee is discharged.
- b. The discharged employee's password shall be removed from the computer network immediately.

H. REFERENCE CHECK

Every employee's prior work history shall be investigated before employment is offered. All references shall be checked closely, including calling previous employers to verify resume and application information.

I. SAFEGUARDING ASSETS

- a. The Manager/Accounting Officer shall have primary responsibility for ensuring that proper Financial Management procedures are followed.
- b. The Finance Committee shall make recommendations of fiscal oversight; the Board of Directors shall have the fiscal oversight responsibility in safeguarding its assets and shall have primary responsibility for ensuring that all internal and external financial reports fairly present its financial condition.
- c. A proper filing and retention system will be maintained for all financial records.
- d. Actual income and expenditures will be compared to the budget on a quarterly basis.
- e. All excess cash in unrestricted funds will be kept in an interest-bearing account.
- f. Bank statements will be promptly reconciled on a monthly basis.
- g. Separate bank accounts and books for projects or activities will be maintained if required by funding source regulations.
- h. Documents on all securities and fixed assets will be kept in a locked fire-proof file.
- i. Records will contain description, serial numbers, date of purchase or receipt, valuation and date of valuation.
- j. Appropriate insurance for all assets will be maintained.

J. FINANCIAL REPORTING

- a. A Chart of Accounts is available and used to code receipts and disbursements to the proper accounts.
- b. Standard Journal Entries will be prepared. Journal entries are reviewed by the Accountant for reasonableness and approved before posting to the general ledger.
- c. Non-standard journal entries are discussed with the CPA auditors to ensure proper accounting treatment.
- d. Annual audits/reviews will be conducted by an independent CPA at the close of each fiscal year.
- e. Copies of these reports will be made available to the membership.
- f. All ledgers shall be kept under lock and key.

K. CASH

Other than coin and currency, the following items are also considered "Cash"

1. Bank checks
2. Bank Drafts
3. Managers Checks

L. CASH RECEIPTS

1. Cash receipts are to be recorded immediately;
2. Each day's cash receipts shall be deposited intact;
3. Record keeping shall be separate from cash handling;
4. At least two people shall be involved in cash transactions; from receipt to deposit and recording;
5. Bank reconciliations shall be made by persons not responsible for handling cash.

M. CASH DISBURSEMENTS

1. All disbursements of material amount shall be made by check.
2. Checks shall be signed only on presentation of satisfactory documentary evidence that the disbursement is proper.
3. The change fund should be used for minor cash disbursements.
4. The function of purchasing and approving purchases shall be separate from receiving and storing and check signing shall be separate from voucher preparation.
5. All payments are immediately recorded in the accounts payable ledger/cash disbursement journal by the bookkeeper. The Accountant prepares the cash disbursements journal on a timely basis, using the check file.
6. The Accountant posts the cash disbursements journal to the general ledger on a timely basis, using the cash disbursement journal.
7. The accounts payable ledger/cash disbursement ledger is reconciled with the general ledger by the Accountant on a monthly basis.

N. SAFEGUARDS IN ISSUING CHECKS

A. GENERAL

1. All checks shall be serially pre-numbered and shall be specially printed and designed for U.P. Credit Cooperative's business use. They shall be kept in a locked drawer, with only the Manager, Chairman of the Board and Board Treasurer having access.
2. Checks shall be written with care to prevent fraudulent alteration. No space shall be left which would permit the insertion of either figures or written amounts to increase the amount of the check above that for which it was drawn by the issuer.
3. Checks shall be prepared on the basis only of a properly authorized written instrument:
 - Invoices
 - Check requisitions
 - Approved payrolls
4. After checks have been prepared, they shall be submitted to the authorized officials for signature, accompanied by the underlying data indicating the authority for and propriety of the check being issued. No check shall be signed unless it is accompanied by supporting data.
5. The Board of Directors has the authority to delegate check signing authority, in writing to the Secretary and Treasurer, for all checks up to Php 10,000.00 above
6. After such review and comparison, the supporting data shall be canceled in such a manner as to preclude the subsequent use in support of a duplicate or fraudulent disbursement. All supporting documentation shall be stamped "PAID" noting check number and date. This cancellation shall be done by or under the direction of the signing official before the data are returned for filing.

B. CHECK SIGNATURES

1. Checks shall be signed only by the person(s) authorized by the Board of Directors. The persons so designated shall be recorded in the minutes of the Board at the meeting they were authorized.
2. Those authorized to sign checks shall not be those who prepared the checks or authorized their issuance, nor employees who maintain cash received and disbursed records.
3. Under no circumstances shall blank checks be signed in advance of their preparation. If frequent absence of signing officials makes it difficult to obtain signatures when checks are due, additional officials or employees shall be authorized to sign.

C. SPOILED CHECKS

Checks spoiled in the course of preparation shall be mutilated in a manner to prevent their issuance but shall not be destroyed. The original shall be filed in numerical sequence with the paid checks returned by the bank.

D. CHECKBOOKS

Checks shall be obtained from the bank in bound form, each with a perforated stub and/or register on which to note, as a permanent record, the significant data with respect to the check for accounting purposes.

O. CHECK REGISTER AND RECONCILIATION

A. GENERAL

1. The check register shall provide for the listing in numerical sequence of all checks issued, showing date issued, check number, payee, amount disbursed, cash discount taken and the account or accounts to be charged with the disbursement and the respective amount or amounts to be charged.
2. The Manager shall receive unopened bank statements and canceled checks each month. These records shall be reviewed monthly, including examining the payees, signatures and endorsements on each check. Keep an eye out for:
 - i. Checks to suppliers or people not known
 - ii. Checks made out to cash that are larger than the amount allowed for Petty Cash
 - iii. Signatures that look forged
 - iv. Missing checks or check numbers that are out of order
 - v. Checks made out to a third party but endorsed by someone in the Cooperative
 - vi. Checks where the payee listed does not match the name in the register.

B. RECONCILIATION PROCEDURE

1. The standard method of reconciling a bank account consists of the following steps:
 - a. Compare paid checks returned by bank with debits shown on bank statement;

- b. Arrange in numerical sequence
- c. Compare checks returned with list of checks outstanding at close of previous month as shown by cash disbursements record, noting all checks outstanding or issued which were not returned. This comparison should include check number, name of payee and amount.
- d. Scrutinize each check for proper endorsement. Any check which is not properly endorsed should be returned to the bank immediately with a request that such endorsement be obtained.
- e. List, by date, number, name and account, all checks which have not been paid by the bank as disclosed by the comparison of the checks returned with the previous month's list of checks outstanding and the cash disbursements record.
- f. Ascertain that any amount appearing in the previous month's reconciliation as deposits not credited by the bank appear as credits on the current month's bank statement.
- g. Ascertain that all reconciling items other than checks outstanding and deposits not credited by the bank which appeared in the previous month's reconciliation have been accounted for either as corrections by the bank during the current month or by appropriate entry to the general ledger cash account.
- h. Compare amounts transmitted to bank for deposit with deposit amounts shown by bank statement and list any which has not been credited by the bank.
- i. Ascertain what charges and credits, if any, have been made by the bank during the month which has not been entered in the accounting records.
- j. The Manager or Accountant will reconcile the bank statements to the general ledger and notify the Manager of any discrepancies.
- k. The Manager or Accountant will reconcile the check register to the general ledger cash accounts on a monthly basis.

P. PAYROLL CONTROLS

1. Personnel files are to be maintained at UPCC for all employees. Changes in payroll data (i.e. pay changes) are approved by the Board before files are updated. All changes in employment are likewise authorized by the Manager and/or Board of Directors.
2. The Manager maintains all personnel records.
3. The Manager monitors the usage of vacation, compensation and sick time, and maintains the attendance.
4. Each employee will be responsible for completing a time sheet daily and semi-monthly.
5. For Cost Allocation purposes, designated employees will be responsible for completing a monthly time distribution record.
6. The Manager reviews and approves all time and attendance records of employees. Completed time sheets signed by employee and the Manager will be submitted to the Accounting Department on the work day after the pay period ends.

Q. COMPUTER CONTROLS

1. The accountant is responsible for in-putting financial data into the computer for generating financial reports. Only the accountant and the Manager will have access to the password required to log onto the system.
2. Detailed printouts of cash receipts and cash disbursements are to be maintained. The accountant is responsible for comparing the detailed printouts to the source documents for accuracy.
3. All subsidiary account balances are reconciled to the control accounts monthly.
4. A trial balance of the general ledger total will be obtained and compared to detailed reports for accuracy of balances.
5. Electronic data processing (EDP) files (all files i.e. payables payroll, etc.) will be backed up (two copies) and stored off site.
6. All computer files and computer network shall be password-protected. Password shall be changed on a monthly basis. All users shall log off the computer/network whenever they are away from their desks.
7. The computer that holds the books shall NOT be on any network.

R. BILLINGS AND RECEIVABLES

1. All billings for services or goods are approved in advance by authorized personnel.
2. The Loans and Billings Department prepares all billings and invoices on a timely basis. Prior to mailing the billing/invoices, the payroll staff makes two copies of the billing invoice. One copy is submitted to the Manager and the other copy in the open invoice file/receivables records in accounting.
3. The accounting staff records the billing/invoice in the accounts receivable ledger on a timely basis.
4. The accounting staff posts the accounts receivable ledger to the general ledger on a timely basis utilizing the billing/invoice copies.
5. The Manager reconciles the accounts receivable ledger to the general ledger on a monthly basis.
6. The Manager prepares a status report on all outstanding receivables, on a monthly basis and submits the report to the Board of Directors.
7. The Manager initiates collection procedures on all invoices older than 30 days. All receivables records are maintained in a locked file cabinet.

Approved by the Board of Directors at its Regular Monthly Meeting on April 24, 2024.