

MICRO ASSESSMENT

OF

**FOUNDATION FOR THE PHILIPPINE
ENVIRONMENT (FPE)**

Commissioned by

**UNITED NATIONS DEVELOPMENT PROGRAMME
(UNDP)**

MANILA CONSULTING & MANAGEMENT CO. INC.
November 5-6 & 11, 2019

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1. BACKGROUNDS, SCOPE AND METHODOLOGY

The micro assessment is part of the requirements under the Harmonized Approach to Cash Transfers (HACT) Framework. The HACT framework represents a common operational framework for UN agencies' transfer of cash to government and non-governmental implementing partners.

The micro-assessment assesses the IP's control framework. It results in a **LOW risk rating**. The overall risk rating is used by the UN agencies, along with other available information (e.g. history of engagement with the agency and previous assurance results), to determine the type and frequency of assurance activities as per each agency's guideline and can be taken into consideration when selecting the appropriate cash transfer modality for an IP.

Scope

The micro-assessment provides an overall assessment of the Implementing Partner's programme, financial and operations management policies, procedures, systems and internal controls. It includes:

- A review of the IP legal status, governance structures and financial viability; programme management, organizational structure and staffing, accounting policies and procedures, fixed assets and inventory, financial reporting and monitoring, and procurement;
- A focus on compliance with policies, procedures, regulations and institutional arrangements that are issued both by the Government and the Implementing Partner.

It takes into account results of any previous micro assessments conducted of the Implementing Partner.

Methodology

We performed the micro-assessment of **FOUNDATION FOR THE PHILIPPINE ENVIRONMENT** from November 6-7 and 11, 2019 at their office at 77 Matahimik St., Teachers' Village, Quezon City.

Through discussion with management, observation and walk-through tests of transactions, we have assessed the Implementing Partner's and the related internal control system with emphasis on:

- The effectiveness of the systems in providing the Implementing Partner's management with accurate and timely information for management of funds and assets in accordance with work plans and agreements with the United Nations agencies;
- The general effectiveness of the internal control system in protecting the assets and resources of the Implementing Partner.

We discussed the results of the micro assessment with applicable UN agency personnel and the IP prior to finalization of the report. The list of persons met and interviewed during the micro-assessment is set out in Annex III.

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2. SUMMARY OF RISK ASSESSMENT RESULTS

(Executive Summary of the overall Risk-Assessment)

The table below summarizes the results and main internal control gaps found during application of the micro-assessment questionnaire (in Annex IV).

Detailed findings and recommendations are set out in section 3 below:

1	Tested subject area	Risk Assessment	Brief justification for rating (main internal control gaps)																												
	Implementing Partner	Low	<p>FOUNDATION for the PHILIPPINE ENVIRONMENT, INC. (FPE) is a nonstock, nonprofit organization established to contribute, encourage, assist and provide technical, managerial and financial support to non-government organizations, people’s organizations, communities and others for environmental protection, natural resources conservation and management and sustainable development. This will include support for wildlife and plant species management, biological diversity protection, research sustaining and enhancing Filipino cultural practices related to sustainable resource management, and other community-based sustainable development activities with the end in view of preserving and/or enhancing the natural and cultural heritage of the country. The Foundation was incorporated and registered with the Securities and Exchange commission on January 14, 1992, under a Memorandum of Understanding signed by the U.S. and Philippine Government, creating an endowment fund to be managed by FPE.</p> <p>Its present business address is 77 Matahimik St., Teachers’ Village, Quezon City. It has satellite offices located in Visayas and Mindanao where the project staffs are staying when conducting projects nearby said offices.</p> <p>Statutory reports include submission of reports to Bureau of Internal Revenue (BIR) for mandated reports, Securities and Exchange Commission (SEC) for Audited Financial Statement (AFS), General Information Sheet (GIS), and contributions to Social Security System (SSS), Philippine Health Insurance (PHIC) and Home Mutual Development Fund (HDMF) and other government agencies.</p> <p>FPE receives grants and donations from bilateral, multilateral and government agencies to facilitate its programs and projects. For the past five years, the FPE, as a Responsible Partner of Biodiversity Management Bureau (BMB), has undertaken the planning to implementation phases of the projects engaged by BMB for United Nations Development Programme (UNDP). It had also implemented a United Nations Development Programme (UNDP) project, Bohol Marine Triangle (BMT) and SGP5 and no significant issues in managing the cash resources were reported in the past. As a Responsible Partner (RP) in SGP5, it provided oversight and monitoring of project implementation by local partners, both technical and financial. Technical and financial reports tracking matrices were developed by FPE to ensure compliance. Other grants were from EU-FUNDES0 who supported the Mainstreaming Indigenous Peoples Participation in Environmental Governance (MIPPEG) project, The United States Agency for International Development (USAID) and The Climate Reality Project (CRP).</p> <p>The Board of Trustees (BOT) exercised the corporate powers and conducts the business of the organization. The BOT meets quarterly to formulate the policies of the organization. The General Assembly Meeting is held annually, and Committee Meetings are held frequently. The BOT appoints the Executive Director (ED) that serves as the Deputy to the President and supervises the day-to-day operations of the foundation. The ED, when duly delegated, also performs the duties of the Chairman/CEO.</p> <p>The total assets, liabilities, income and expenses for the past three years as drawn from the financial statements (F/S) audited by its external auditor, Isla Lipana & Co., CPAs are as follows:</p> <table border="1" data-bbox="592 1727 1458 1910"> <thead> <tr> <th>Solvency</th> <th>2017</th> <th>2018</th> <th>2019</th> </tr> </thead> <tbody> <tr> <td><i>Assets</i></td> <td>839,485,895</td> <td>801,501,651</td> <td>805,109,157</td> </tr> <tr> <td><i>Liabilities</i></td> <td>53,611,975</td> <td>44,968,699</td> <td>33,077,316</td> </tr> <tr> <td></td> <td>785,873,920</td> <td>756,532,952</td> <td>772,031,841</td> </tr> <tr> <td></td> <td>93.61%</td> <td>94.39%</td> <td>95.89%</td> </tr> </tbody> </table> <table border="1" data-bbox="592 1995 1458 2060"> <thead> <tr> <th>Profitability</th> <th>2017</th> <th>2018</th> <th>2019</th> </tr> </thead> <tbody> <tr> <td><i>Receipts</i></td> <td>57,335,710</td> <td>41,944,550</td> <td>55,237,874</td> </tr> </tbody> </table>	Solvency	2017	2018	2019	<i>Assets</i>	839,485,895	801,501,651	805,109,157	<i>Liabilities</i>	53,611,975	44,968,699	33,077,316		785,873,920	756,532,952	772,031,841		93.61%	94.39%	95.89%	Profitability	2017	2018	2019	<i>Receipts</i>	57,335,710	41,944,550	55,237,874
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2	Programme Management	Low	<p>FPE has existing assessment and planning templates and uses detailed written policies, procedures and other tools (e.g. project development checklist, work planning templates, work planning schedule) to develop programmes and plans. It has a Monitoring and Evaluation (M&E) framework for its programmes, with indicators, baselines, and targets to monitor achievement of programme results as stated in the manual.</p> <p>The Programs Manual standardizes the processes of appraising, approving, implementing, monitoring and evaluating projects to realize the ultimate objective of integrating Biodiversity Conservation and Sustainable Development (BCSD) in Grants Administration. Work plans that specified expected results and the activities to be carried out to achieve results are developed, with a time frame and budget for the activities. Potential risks to project implementation are identified and mechanisms to mitigate them are instituted.</p> <p>The Programs Manual provides the monitoring and evaluation (M & E) tools complete with indicators, baselines and targets to monitor results. During the Mid-Year Assessment & Year End Assessment of Institutional level and project level projects, FPE collects, monitors and evaluates results based on approved M&E plan reflected in the Partnership Agreement.</p> <p>FPE followed-up on independent evaluation recommendations such as the independent evaluation conducted in 2014 by UPLBFI (More than Numbers: Evaluation of the FPE) that provided the main bases for FPE's current Strategic Plan (2015-2025).</p>												
3	Organizational Structure and Staffing	Low	<p>The Organization follows a clearly defined policies and procedures on recruitment, employment, and personnel practices that embrace transparency and competition. The HR Employee Handbook provides clear-cut Job descriptions for all positions.</p> <p>At present, the total regular employees of the organization is sixteen (16) while the project based employees totals four (4).</p> <p>The organizational structure of the finance and programme management departments, and the competency of staff are still appropriate for the needs of the organization and the scale of its activities.</p> <p>The Executive Director (ED) is responsible in managing the foundation's operations and oversees, reviews and approves necessary financial transactions and reports, policies and procedures prepared by the managers and staffs of the organization. The ED is also responsible for grant administration, fund management, procurement, asset management and control, human resource management and development initiatives.</p> <p>He holds a degree in Interdisciplinary Studies. He also holds a Master's in Environmental Management and Development (EMD), Graduate Diploma in Environmental Management and Development, Master's of Science in Social Development. He has meaningful years of experience as Development Assistance Specialist (Natural Resources Policy Advisory) of USAID Philippines</p>												

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			<p>Office of Environment and Energy for 13 years. He has been a Research Associate at the Ateneo de Manila University, and also a Senior Program Officer and a Program Coordinator.</p> <p>The Executive Assistant & HR Officer assists the ED and BOT, including all other committees in which the ED is involved in. She is responsible in the administration and coordination of the organization's policies and programs on recruitment and selection, compensation and benefits, staff training and development program, performance management system, and employee assistance.</p> <p>She holds a degree in Accountancy and a Master's in Business Administration. She had relevant experiences as Accounting Supervisor, Bookkeeper, Customer Service Representative, Credit Assistant and Senior Credit Analyst.</p> <p>The organization's Finance and Administration Unit, though small, is staffed adequately to ensure sufficient controls are in-placed to manage funds, its own and donor's.</p> <p>The Finance and Administration Unit is headed by the Finance and Administrative Manager and is ably aided by two (2) Finance Officers and an Administrative Officer that supervises the Administrative Staff and the Driver.</p> <p>The Finance and Administrative Manager is responsible in managing the FPE's financial and physical resources, endowment fund, budget planning, procurement, contracting as well as supervision of finance and administrative personnel. She maintains the balances of FPE's financial resources and ensures compliance to the BIR, SEC, PCNC, local government and other government agencies. She ensures the availability of funds and directs the payment of suppliers and employees' salaries.</p> <p>She holds a bachelor's degree in Business Administration Major in Accounting. She is a CPA and holding 19 units in Master's in Business Administration. Before working in FPE, she already had professional experiences from corporate, non-profit, non-stock organizations as Finance Manager, General Accountant and Accountant.</p> <p>There are two Finance Officers: The first Finance Officer (Investment & Cashier) acts as Cashier and does cash custodianship. She is assigned in monitoring of the funds and investment performance. She assists in the implementation of pre-audit and internal control of staff's financial transaction and payroll administration. She also helps in accounting, clerical and administrative tasks for the units. She is a graduate and holds a degree in Accountancy.</p> <p>The other Finance Officer (Bookkeeping & Accounting), who is a CPA, is assigned in general accounting, asset cost monitoring, financial technical assistance-reporting. Budget management and payroll administration.</p> <p>The Operations Department of the foundation is divided into three divisions/offices located at the Head office, Visayas office and Mindanao office. The Head office maintains the National and Luzon operations; with one Program Officer is assigned. The Visayas Office is headed by the Regional Operations Manager while the Mindanao office has only the Project Officer acting as Officer-in-Charge (OIC). For the projects, staffs employed were mostly output based/contract based while some were hired as regular employees.</p> <p>Part of the hiring process is the Background Checking where all new hires answers set of questions or the HR will call the references cited in the Curriculum Vitae (CV)/Bio-data. This is done to ensure that it hires only the right personnel for the job.</p> <p>FPE adopts an active staff training and development (ST & D) program available to regular employees, regardless of employment status, provided the activity is suitable for the employees' training needs and the impact or contribution of the trained employee to the organization after the training. This staff training and development is funded and is included in the HR budget approved by the BOT.</p> <p>There has been no significant turnover in key finance positions for the past ten years. Though the organization had undergone several re-organizations primarily due to the retirement of some Managers who already served the organization for a long period of time, the Finance and Admin Unit was not affected. The present employees of the Finance and Admin Unit have also been with the organization for many years already and none was included in the re-organization.</p>
4	Accounting Policies and Procedures	Low	<p><i>General</i> FPE uses Accounting Software Consultant International Inc. (ASCII) which is certified by the BIR, as their computerized accounting software. This Accounting Software is capable of generating necessary reports including but not limited to Statement of Financial Position, Income</p>

		<p>Statement and Statement of Cash Flows. It is also capable of providing reports for each donor including allocation of expenditures in accordance with the respective components, disbursement categories and sources of funds.</p> <p>FPE uses a direct costing method. All expenses related to the project are charged to Project Cost following the 80:20 criteria as stated in the By-Laws and MOU.</p> <p>FPE retains its records and encourages retention in an electronic format whenever possible. Financial records are retained for a minimum of seven (7) years from the fiscal year of creation, unless the retention schedule specifically states otherwise, as is the case with records related to grants and contracts. It may be necessary to retain certain non-archival records for a period longer than seven (7) years if they are required to support an audit, litigation, or other matter.</p> <p>FPE maintains the electronic monitoring of GL accounts. All Subsidiary Ledgers and Special Registers are reconciled with the General Ledger regularly. Adjustments to the GL and the SL/SR arising from the reconciliation are covered by Journal Vouchers (JVs) duly approved by the Finance Manager.</p> <p><i>Segregation of Duties</i></p> <p>The following functions (a) authorization to execute a transaction; (b) recording of the transaction; and (c) custody of assets involved in the transaction, are segregated and are assigned to the Finance officer, Finance and Administrative Manager and the other finance officer and IT officer.</p> <p>The functions of ordering, receiving, accounting for and paying for goods and services are appropriately segregated to Requesting Staff, Property Clerk, and Cashier, respectively.</p> <p><i>We have noted that in the segregation of duties, the Finance Officer who is responsible for recording the transactions is also the person-in charge for the preparation of checks for suppliers, salaries of newly hired employees and the final pay of resigned employees.</i></p> <p>The Monthly Bank Reconciliation are prepared by the General Accountant, reviewed and approved by the Finance and Admin Manager. The latest Bank Reconciliation presented is for the month of September 2019.</p> <p><i>Budgeting System</i></p> <p>FPE conducts regular annual assessment and planning whereby the units are presented and evaluated, including consolidation of institutional programs and activities. The proposed budget is presented to the BOT for approval. The BOT reviews the progress of activities quarterly, including budget performance.</p> <p>FPE reviews the progress of activities and implementation of the annual work plan on several levels. At the operational level, the CEO and Executive Director monitor implementation of planned activities monthly and/or quarterly. The budget performance is presented to the BOT quarterly during its quarterly board meetings. The BOT approves the annual budget of the organization.</p> <p><i>Payments</i></p> <p>The Office Administration Policies and Procedures Manual provides policies and procedures for: (a) Copies of purchase orders and receiving reports to be obtained directly from issuing departments; (b) Comparison of invoice quantities, prices and terms with those indicated on the purchase order and with records of goods/services actually received; and (c) Checking the accuracy of calculations.</p> <p>The FPE Finance Unit Operations Manual details the levels of approvals and/or signing authority covering fund releases:</p> <p>Request for check preparation:</p> <table border="1" data-bbox="639 1789 1343 1935"> <thead> <tr> <th>REQUESTER</th> <th>APPROVAL</th> </tr> </thead> <tbody> <tr> <td>Officers and Staff</td> <td>Unit Head / Manager</td> </tr> <tr> <td>Managers</td> <td>Executive Director</td> </tr> <tr> <td>Executive Director</td> <td>Finance or HR Manager</td> </tr> <tr> <td>BOT / Members*</td> <td>Executive Director</td> </tr> </tbody> </table> <p><i>*As per discussion with management, the only instance that members of the BOT request for checks is international travel of the BOT/Members. The Executive Assistant (EA) assists the BOT members in the preparation of the Request.</i></p>	REQUESTER	APPROVAL	Officers and Staff	Unit Head / Manager	Managers	Executive Director	Executive Director	Finance or HR Manager	BOT / Members*	Executive Director
REQUESTER	APPROVAL											
Officers and Staff	Unit Head / Manager											
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		<p>The foundation uses pre-numbered Check vouchers (CVs). All cash disbursements other than those taken from the Petty Cash Fund are made thru checks and are made payable to specific payees. Different personnel handle the preparation, review and approval of CVs.</p> <p>Checks payable to “CASH” or “BEARER” are explicitly prohibited. Checks are countersigned.</p> <p>After the release of checks, all supporting documents to the disbursements such as Check Vouchers (CVs) and related documents are stamped “PAID” to avoid possibility of double payment. The CVs are marked with the account codes/project codes for easy recording.</p> <p><i>We have advised the organization that when it starts disbursing UNDP funds, it should secure the stamp ‘PAID FROM UNDP GRANT’. FPE has not yet received the official stamp from UNDP and was currently using only the stamp of Finance Department.</i></p> <p>The signatories to the Payroll Sheet are the following:</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <tr> <td><i>Prepared by</i></td> <td>General Accountant</td> </tr> <tr> <td><i>Certified Correct by</i></td> <td>Finance Manager</td> </tr> <tr> <td><i>Approved for Payment</i></td> <td>Executive Director</td> </tr> </table> <p>Only deductions mandated by government regulatory agencies and/or deductions in accordance with FPE policies are made from the salary or allowance payments of the employee. The Summary of Attendance Report from the HR is submitted to Finance Unit that is used as the basis of computation for salaries and allowance payments to employees.</p> <p>Expense categories that do not originate from invoice payments, such as DSAs, travel, and internal cost allocations are captured and recorded in the books by the use of the Daily Provision Allowance (DPA). The DPA is an amount intended to cover cost of meals and other incidental expenses for field travel outside of home base requiring an overnight stay. Accommodation/Lodging expenses are on actual cost basis supported by receipts subject to approved cost limits. Transportation and/or mobilizations allowances are based on reasonable travel costs. Liquidation of the DPA is done after two (2) weeks after the completion of the activity.</p> <p><i>Policies and Procedures</i> The financial statements are prepared under the historical cost convention. Thus, transactions are recorded at the actual amount disbursed or received.</p> <p>FPE uses the Modified Cash Basis of Accounting in the preparation of the financial statements. However, all known receivables and payables are taken into account in the period-end Balance Sheet. The accounting period of the organization follows the <i>Fiscal Year</i>, July 1 to June 30.</p> <p>FPE has established policies and procedures on different aspects of management and had codified these into appropriate manuals such as the FPE Finance Unit Operations Manual, Programs Manual, Office Administration Policies and Procedures Manual and the Employee Handbook Manual. These manuals are distributed to relevant staff.</p> <p>The financial Statements for the fiscal years ended June 30 2017 to 2019 were audited by an External Auditor, Isla Lipana & Co., CPAs, who issued an unqualified opinion on these financial statements taken as a whole.</p> <p><i>Cash and Bank</i> FPE maintains bank accounts for its operations, as follows: 1) BPI account no. 1991-0048-38 (FPE operation) 2) BPI account no. 1991-0048-46 (FPE Grants) 3) BPI account no. 1991-0099-88 4) BPI account no. 1991-0089-49 5) BPI account no. 1991-0089-14 6) BPI SA-EURO account no. 1991-0602-83 7) BPI US Dollar account no. 1994-0214-66 (FPE) 8) MBTC account no. 186-3-1-18650586-8</p> <p>FPE has separate bank account under Bank of the Philippine Islands (BPI) on account no. 1991-0089-22. This serves as depository and disbursing account solely for the UNDP transactions</p> <p>The Check Signing Authorities are as follows:</p> <table style="width: 100%; border: none;"> <tr> <td style="text-align: center; border: none;">Disbursement Level</td> <td style="text-align: center; border: none;">Signatories</td> </tr> <tr> <td style="text-align: center; border: none;">-----</td> <td style="text-align: center; border: none;">-----</td> </tr> </table>	<i>Prepared by</i>	General Accountant	<i>Certified Correct by</i>	Finance Manager	<i>Approved for Payment</i>	Executive Director	Disbursement Level	Signatories	-----	-----
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			<p>Up to P100,000</p> <p>Over P100,000</p> <p>Any two of the following: BOT Chairman BOT Treasurer Executive Director Finance Manager Main Office Manager, as Designate</p> <p>Any two of the five: BOT Chairman BOT Treasurer BOT Vice-Chair Executive Director Finance Manager</p> <p>Checks and the corresponding CVs are recorded in the Cash Position Statement by the Cashier/Investment Officer to ascertain availability of funds and for proper monitoring of disbursements.</p> <p>Bank Reconciliation Statements are prepared on a monthly basis for all bank accounts maintained. All reconciling items are carefully verified and all entries made in the account are covered by duly approved JVs supported by the Bank Reconciliation Statement and other related documents (bank debit/credit memos, etc.).</p> <p>Cash advances are granted to bona fide employees of the organization who will travel on official business and who will actually disburse funds or for specific purpose/s related to the organization projects as well as administrative operations. All cash advances are used only for the intended purpose/s and liquidated upon completion of the activity. Any unspent funds are returned promptly upon liquidation. Liquidation of cash advances is done within two (2) weeks after completion of activity regardless of the size of the CA.</p> <p>A Petty Cash Fund (PCF) of P5,000 for each regional office is operated on an <i>Imprest</i> basis and is used to cover for petty operating and official expenses. The PCF is kept in a cash box under lock and key, and is not be co-mingled with the personal funds of the custodian and other funds being handled. The custodian replenishes the PCF when the fund reaches the established minimum level (i.e., the cash balance is already 25% of the PCF or 75% of the PCF has already been used up) by preparing the Petty Cash Replenishment Report. This Petty Cash Replenishment Report and together with the PCVs and supports is checked by the General Accountant and approved by the Finance Manager.</p> <p>Cash collections are kept intact under lock and key for deposit the following banking day. The Investment Officer/custodian keeps unissued OR and PR booklets and unused checks under lock and key to preclude losses and misuse.</p> <p>As to the submission of electronic payment files, the signed/approved request with all the supporting documents is verified by the Bookkeeper, checked by the General Accountant and approved by the Finance Manager to ensure that no unauthorized amendments once payments are approved and files are transmitted over secure/encrypted networks.</p> <p><i>Internal Audit</i> The Finance Manager is the concurrent Internal Auditor as the organization has no internal audit unit.</p>
5	Fixed Assets and Inventory Management	Low	<p><i>Safeguards of assets</i> The HRDA and the IT Officer are responsible for the tagging of all moveable assets before transmitting the same to the requisitioning unit through the use of Property Stickers. The property stickers contain the asset code. A Fixed Assets Sub-Ledger for each fixed and moveable asset is separately maintained by the HRDA and IT Officer.</p> <p>An annual physical inventory of fixed and moveable assets is conducted with the concerted effort of the HRDA, Finance Unit and I.T. Officer. An Inventory Report Sheet is used for this purpose. Discrepancies are immediately verified, investigated, and properly adjusted to reconcile actual count and recorded data.</p> <p>The foundation's fixed asset custodian ensures that any movement in the physical location, addition or disposition of the assets are well documented. These are supported by Accountability Form. The Visayas and Mindanao employees are sending updates in the movement of the fixed assets in their location.</p>

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			<p>All fixed and movable assets are insured against any of the following: fire, theft, lightning, fortuitous events, acts of God, and other perils.</p> <p><i>Warehousing and Inventory Management</i> FPE has a stockroom for supplies and equipment in a securely locked. Office premises that are secured with 24/7 security guard and CCTV camera. Access to stockroom or storage area is limited to authorized personnel only.</p> <p>Office Supplies Stock Ledger Cards and Fixed Assets Sub-Ledgers are used to record receipts, issuances and return of items.</p> <p>The Office Administration Policies and Procedures Manual guides FPE in its warehousing and inventory needs.</p> <p>The HRDA Unit receives and retains custody of incoming fixed and moveable assets until they are transferred to concerned groups. HRDA transfers custody of ICT-related moveable assets to the I.T. Officer.</p>
6	Financial Management and Reporting	Low	<p>FPE has established financial reporting procedures that generate reliable reports on the operating performance; financial position and funds flow of the organization in a timely basis in accordance with the organization's and Donor reportorial requirements.</p> <p>The Financial Accounting/Management Reports consist of Information Reports designed to tell management what is happening, and Control Report that focuses on the performance of the Responsibility Unit handling a certain special project. Essentially, such Control Report on how well the Responsible Unit did compare with some standard of what it is expected to do, in such a way that reasons for the difference between actual and standard performance are identified, and, if feasible, quantified.</p> <p>The independent auditor, Isla, Lipana & Co. CPAs, audits the overall financial statements regularly in accordance with appropriate national or international auditing standards. The external auditor has audited the financial statements for the fiscal year ending June 30 2017 to 2019 and has expressed an unqualified opinion on the fairness of the financial statements stated as a whole.</p> <p>There has been no reported major issues related to ineligible expenditure involving donor funds nor any significant recommendations in the audit reports/management letters over the past five (5) years that have not been implemented by the organization.</p> <p>FPE is using computerized accounting software; Accounting Software Consultant International Inc. (ASCII) certified by the BIR that generates the necessary financial reports. The accounting software is very capable to capture financial transactions of donors in accordance with the Agreements and is user-friendly that fiscal year and calendar year discrepancies will not be a problem. FPE has had previously experienced doing the separate recording of transactions for projects such as USAID, EU-FUNDESO and SGP5.</p> <p>Regular change of password is resorted as an appropriate safeguard to ensure the confidentiality, integrity and availability of the financial data.</p>
7	Procurement	Low	<p>FPE has developed the Office Administration Policies and Procedures Manual to effectively meet the operating needs of staff, officers, and Board of Trustees (BOT) by ensuring that requested merchandise and/or services are delivered on time, of good quality, ecologically-friendly, ergonomically suitable and with efficient after-sales service.</p> <p>FPE strictly follows the policies, procedures and guidelines provided by the Office Administration Policies and Procedures Manual and exceptions are not allowed, nor approved by management.</p> <p>The Procurement System is not computerized but is equipped with adequate access controls; and duties are segregated from entering purchase orders, approval and receipt of goods.</p> <p>OPERATING GUIDELINES:</p> <p><i>Request for procurement, Receipt and accountability</i> FPE Officers and staff needing commodities/services covered by an approved budget fill-up the Purchase Requisition Slip or Job Order Form duly signed by the person requesting the item or services and his/her Unit Head. Specifications for the commodities or services are properly indicated.</p>

**UNDP-FOUNDATION FOR THE PHILIPPINE ENVIRONMENT STRICTLY PRIVATE & CONFIDENTIAL
MICRO ASSESSMENT**

		<p>Canvassing for both contracts for commodities and services, if less than PhP100, 000 – are done by phone and emails supported by a Canvass Summary while Purchases above PhP100, 000 – canvassing are done through sealed bids.</p> <p>Office Supplies Stock Ledger Cards and Fixed Assets Sub-Ledger separately maintained by the HRDA and the I.T. Officer are used to record receipts, issuances and return of items.</p> <p>All personnel will acknowledge receipt of the moveable assets through the Accountability Form (Moveable Assets).</p> <p><i>Valuation and Recording</i> Fixed and Moveable Assets Monitoring Report prepared by the HRDA Unit is used to summarize monthly depreciation charges, additions/disposals, capitalized expenditures, and details of cost of repairs and maintenance.</p> <p>The Admin. Officer prepares a Comparative Breakdown of Equipment and Commodities purchased for both the fixed and moveable assets of FPE and Projects on an annual basis.</p> <p>The Admin Officer under Finance & Admin Unit is responsible for the procurement needs of the organization.</p> <p>FPE requires written authorizations for purchases, and the FPE Finance Unit Operations Manual details the levels of approvals and/or signing authority.</p> <p>The HR Employee Handbook integrates references to ethical procurement principles and exclusion and ineligibility criteria. Formal guidelines and procedures are laid in the Employee Handbook to assist in identifying, monitoring and dealing with potential conflicts of interest with potential suppliers/procurement agents.</p> <p>FPE maintains a directory of suppliers and has an in-house roster of consultants/experts in particular fields that can be tapped anytime by the organization. FPE keeps track of past performance of suppliers and does not conduct repeat orders on suppliers with bad records.</p> <p>All procurement for fixed and moveable assets is properly planned/approved and included in the Annual Work Program and Budget. The Purchasing process for both fixed and moveable assets and request for repair service of fixed and moveable assets are in accordance with established purchasing policies and procedural guidelines plus any other requirements/policies of the donor.</p> <p>When a formal invitation to bid is issued, the Bids and Awards Committee (BAC) opens the sealed bids and declares the winning bidder. The BAC report is prepared by the Admin Officer and signed by all its members and approved by the Executive Director.</p>
OVERALL RISK*		LOW

**High, Significant, Moderate, Low*

**UNDP-FOUNDATION FOR THE PHILIPPINE ENVIRONMENT STRICTLY PRIVATE & CONFIDENTIAL
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3. DETAILED INTERNAL CONTROL FINDINGS AND RECOMMENDATIONS

No.	Description of Finding	Recommendation and IP Management Response																																
1.	<p>Finding: The Finance Officer/(Bookkeeper) in charge of the recording of accounting transactions is also the same person who prepares the check. And the other Finance Officer/(Cash Management/Investment) reviews the check vouchers prepared by the Finance Officer (Bookkeeper).</p> <p>Per manual, the job descriptions of the two Finance Officers has separate functions for the check preparation and the recording of accounting transactions.</p> <p>Risk: There is possibility of overriding Internal Control.</p>	<p>Recommendation: Segregation of the accounting function from finance should be strictly enforced to avoid possible collusion and probable losses.</p> <p>Management Response: In response to the finding, the CEO has ordered the Finance Unit to enforce the separate function of the two Finance Officers.</p> <p><i>Management also discussed the other objective of the organization:</i> Over the years, FPE's financial and technical assistance has gone primarily into protecting local conservation areas, and strengthening community and grassroots-led environment efforts. The Foundation has been a reliable partner of countless organizations throughout the country. Now on its 3rd decade of responsible grant-making and partnership building for a better environment, it looks ahead towards a more dynamic and productive years of engagement with civil society and more meaningful cooperation with the government and other relevant groups.</p> <p><i>Grants Size and Process</i> The following are the grant-size that the foundation has:</p> <table border="1" data-bbox="691 887 1479 1211"> <thead> <tr> <th>SIZE OF GRANT</th> <th>AMOUNT (Php)</th> <th>DURATION</th> <th>LEVEL OF APPROVAL</th> </tr> </thead> <tbody> <tr> <td>Large Grant</td> <td>800,001 to 2,000,000</td> <td>2 years <i>(can be multi-year program)</i></td> <td>Board of Trustees through PDC</td> </tr> <tr> <td>Medium Grant</td> <td>200,001 to 800,000</td> <td>2 years</td> <td>Chair/CEO</td> </tr> <tr> <td>Small Grant</td> <td>100,000 to 200,000</td> <td>1 year</td> <td>Executive Director</td> </tr> <tr> <td>Micro Grant</td> <td>25,000 to 100,000</td> <td>1 year or less</td> <td>Regional Unit / PDU Manager</td> </tr> <tr> <td>Quick Response Grant</td> <td>Up to 25,000</td> <td>1 year or less</td> <td>Regional Unit / PDU Manager</td> </tr> </tbody> </table> <p>Large proposals are reviewed by the BOT-Project Development Committee, and approved by the BOT. The BOT regularly meets every quarter and for special occasion, it convenes to review and approve proposal in between quarters.</p> <p>For this fiscal year ending June 30, 2020, the BOT has increased the size of the grants for approval.</p> <table border="1" data-bbox="868 1429 1310 1574"> <thead> <tr> <th>SIZE OF GRANT</th> <th>MAXIMUM AMOUNT (Php)</th> </tr> </thead> <tbody> <tr> <td>Large Grant</td> <td>3,000,000</td> </tr> <tr> <td>Medium Grant</td> <td>2,000,000</td> </tr> <tr> <td>Small Grant</td> <td>1,000,000</td> </tr> </tbody> </table>	SIZE OF GRANT	AMOUNT (Php)	DURATION	LEVEL OF APPROVAL	Large Grant	800,001 to 2,000,000	2 years <i>(can be multi-year program)</i>	Board of Trustees through PDC	Medium Grant	200,001 to 800,000	2 years	Chair/CEO	Small Grant	100,000 to 200,000	1 year	Executive Director	Micro Grant	25,000 to 100,000	1 year or less	Regional Unit / PDU Manager	Quick Response Grant	Up to 25,000	1 year or less	Regional Unit / PDU Manager	SIZE OF GRANT	MAXIMUM AMOUNT (Php)	Large Grant	3,000,000	Medium Grant	2,000,000	Small Grant	1,000,000
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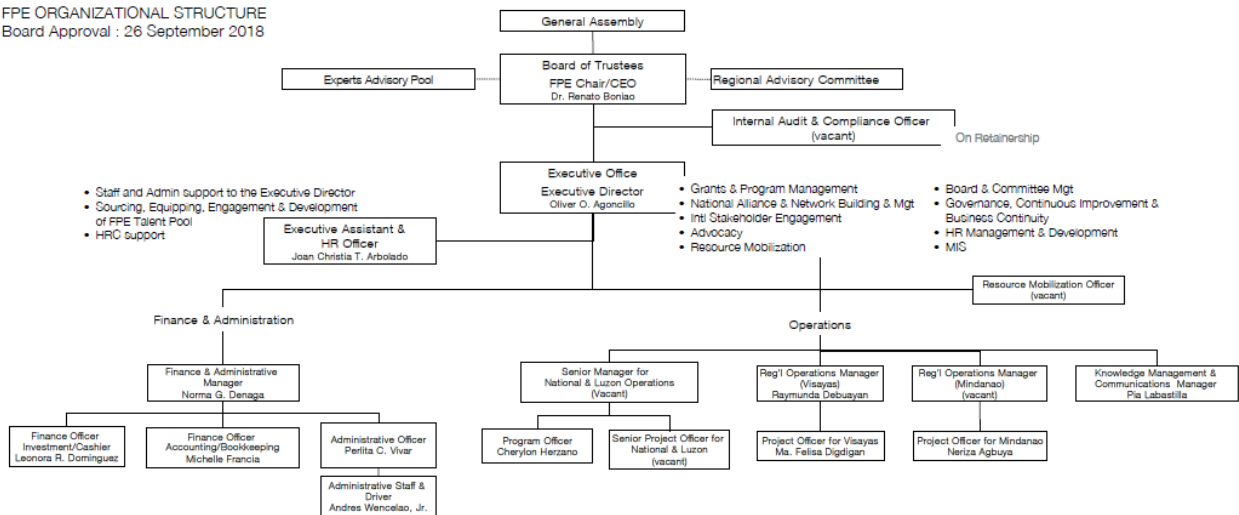
ANNEX I

Implementing Partner Name	FOUNDATION FOR THE PHILIPPINE ENVIRONMENT (FPE)
Implementing Project Code	
Implementing Partner Contact Details	Oliver O. Agoncillo Executive Director E: oagoncillo@fpe.ph T: +639176851968
	Norma G. Denaga Finance and Administrative Manager E: ngonzaga@fpe.ph T: +639296589704
Main Programme Implemented with UNDP	GEF SGP5 through BMB-DENR (as a Responsible Party of BMB)
Key Official in charge of the Programme	Oliver O. Agoncillo Executive Director
	Aivan Herzano Programme Manager
Programme Location	77 Matahimik St., Teachers' Village, Quezon City
Location of Records Related to the Programme	77 Matahimik St., Teachers' Village, Quezon City
Currency of Records Maintained	Philippine Peso
Latest Expenditures incurred/reported (Indicate the amount (in USD) and the financial reporting period)	N/A
Latest Cash Transfer Modality Used	Direct Cash Transfer (DCT)
Intended Start Date of Micro Assessment	November 6-7 and 11, 2019
Number of days to be spent for visit to IP	(3) days
Any special request to be considered during the micro assessment	None

ANNEX II

**FOUNDATION FOR THE PHILIPPINE ENVIRONMENT, INC.
ORGANIZATIONAL STRUCTURE**

FPE ORGANIZATIONAL STRUCTURE
Board Approval : 26 September 2018



ANNEX III

LIST OF PERSONS MET

Name	Unit/Organization	Position
Dr. Renato Boniao	Foundation for the Philippine Environment	FPE Chairman/CEO
Oliver O. Agoncillo	Foundation for the Philippine Environment	Executive Director
Joan Christia T. Arbolado	Foundation for the Philippine Environment	Executive Assistant and HR Officer
Aivan Herzano	Operations Department	Programme Manager
Norma G. Denaga	Finance and Administration Department	Finance and Administrative Manager
Leonora R. Dominguez	Finance and Administration Department	Finance Officer; Investment/Cashier
Michelle Francia	Finance and Administration Department	Finance Officer; Accounting/Bookkeeping
Perlita C. Vivar	Finance and Administration Department	Administrative Officer

ANNEX IV

OTHER SUPPORTING DOCUMENTS:

- 1. Personal Data Sheets**
- 2. Bank Reconciliation (for the month of September 2019)**
- 3. Bank Signatories**
- 4. SEC Registration**
- 5. Certificate of Registration**
- 6. Sample Check Vouchers and Supporting Documents**