



FINANCE POLICIES AND PROCEDURES

2017

AFRICAN RELIEF AND DEVELOPMENT FOUNDATION (ARDF)

Head Office at Hai Dar es Salam Residential Area, Juba South Sudan

Cell Phone: +211920004555 or +211915269084

Email: info@ardf-ss.org or ardfsouthsudan@gmail.com

Website: www.ardf-ss.org

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INTRODUCTION

The board and staff of African Relief and Development Foundation (ARDF) are committed to ensuring the sound management of organizational assets in the interest of achieving the organization's mission.

The policies and procedures contained herein are intended to:

- a) Protect the assets of African Relief and Development Foundation
- b) Put in place basic accounting and cash control policies and procedures
- c) Ensure the maintenance of accurate records of the organization's financial activities
- d) Create a framework for operating standards and behavioral expectations
- e) Ensure compliance with all Donors and Partners procedures and reporting requirements

The Executive Director, working with the Program Director, is responsible for administering these policies and ensuring compliance. Changes to these policies may be made by the Board of Directors at any time. A full review of the policies should be conducted every two years. Every member of the organization's management team and administrative staff is expected to be familiar with and in compliance with these policies.

African Relief and Development Foundation accounting policies and procedures are intended to be consistent with Generally Accepted Accounting Principles (GAAP). If this manual conflicts with specific Donors or with other organizational policies that have been adopted or updated more recently, the regulations or more recent board policy shall prevail.

ETHICS

ARDF is committed to responsible stewardship of organizational resources. The organization will spend a reasonable percentage of its annual budget on programs in pursuance of its mission and on administrative expenses to ensure effective accounting systems, internal controls, fundraising, competent staff, and other expenditures critical to professional management and organizational sustainability. The organization will not accumulate excessive operating funds but will maintain a responsible level of reserves to enable our organization to respond to philanthropic trends and opportunities to better serve the organization's mission.

Members of the board and ARDF Management Staff are committed to the following ethical practices:

- Acting in the best interest of the organization rather than on the basis of personal interests or the interests of third parties.
- Practicing sound financial management and compliance with legal and regulatory requirements.
- Employing financial systems to ensure that accurate financial records are kept and that financial resources are used to further the organization's mission and charitable purposes.
- Creating and maintaining financial reports on a timely basis that accurately portray financial status and activities, provide timely internal financial statements, and explain any material variation between actual and budgeted revenues and expenses.
- Providing employees and others with a confidential means to report suspected financial impropriety or misuse of its resources.
- Having written financial policies governing use of its assets, internal control procedures, and purchasing practices.

- Complying with laws and regulations related to fund raising; licensing; financial accountability; human resources; lobbying and taxation.
- Respecting the interests and intentions of its donors, volunteers, and the general public and managing them with the highest level of professionalism and integrity.
- Using solicitation and promotional materials that are accurate and truthful and identify the organization, its mission, and its intended use of solicited funds accurately.
- Ensuring that contributions are used in accordance with donors' intentions and obtaining explicit consent before altering the intended use of a restricted gift.

ROLES AND RESPONSIBILITIES OR AUTHORITY

The Board of Directors will assume responsibility for ensuring the financial health and sound management of organizational assets. The board will employ management staff members who are capable of producing, analyzing, controlling, reporting, and interpreting financial information. The Management Team of the organization currently consists of the Executive Director, Program Director, Finance Manager, Operation Manager and HR Manager

a) Board of Directors

The Board of Directors has the authority to execute any policies it determines to be in the best interest of the organization within the parameters of the organization's Constitution, by laws and local law. The Board of Directors will approve the annual budget, the audit. The board delegates administration of the financial policies to the Executive and Operation Directors, but reviews operations and activities regularly.

b) Treasurer

The Treasurer has the authority to choose the auditor, perform regular, in-depth reviews of the organization's financial activity, and oversee the development of the annual budget.

c) Executive Director

The Executive Director has the authority to make spending decisions within the parameters of the approved budget, employ and terminate personnel, determine salary levels within the approved salary policy, make decisions regarding the duties and accountabilities of personnel and the delegation of decision-making authority, enter into and contractual agreements, and sign checks.

d) Finance Manager

The Finance Manager has whatever authority as may be designated by the Executive Director, including to design the organization's accounting system and chart accounts, make spending decisions within the parameters of the approved budget, make fixed asset purchase decisions, Review expenses and make decisions regarding their cost allocation, hire the Finance officer, and sign and approve contractual agreements. The Finance Manager will not sign checks or make bookkeeping entries.

e) Program Director

Program Directors have whatever authority as may be designated by the Executive Director, including to make spending decisions within the parameters of the approved department or program budget subject to the approval of the Finance Manager, and to sign checks or contracts in rare circumstances when the Executive Director is not available.

f) Finance officer

Bookkeeping and accounting services will be provided by a contracted individual who is hired and supervised by the Managing Director. This person will make bookkeeping entries,

prepare checks for signature, and perform the bank reconciliation. The finance Officer will not approve expenditures or sign checks.

**Finance and/or Audit Committees of the board may be established at any time as they are needed, and given proper authorities.

ACCOUNTING SYSTEM

a) General Ledger

- Bookkeeping and accounting services will be provided by a contracted individual who is hired and supervised by the Finance manager. This person will make bookkeeping entries, prepare checks for signature, and perform the bank reconciliation. The bookkeeper will not approve expenditures or sign checks.
- Finance and/or Audit Committees of the board may be established at any time as they are needed, and given proper authorities.
- All financial transactions of ARDF must be recorded in an accounting record known as the general ledger. Access to the general ledger should be firmly controlled and the general ledger should be in balance at all times. Transactions are recorded in the general ledger on a daily basis and should be summarized, at a minimum, monthly.
- The summarized totals are called “general ledger balances.” These are used as the bases for financial reporting to management, donors, board of directors. At the end of ARDF’ business year (known as a fiscal year), the general ledger is closed and the final reporting to management for the year is prepared.
- The general ledger may be a manual (hand-prepared) ledger or a computerized version that uses software specifically designed for that purpose.

b) Cash Book

The cash book records all the transactions in terms of receipts and payments. ARDF should maintain one cash book and it is main cash book.

Cash book is based on the journal entries. All cash inflows are recorded in the receipts column and all cash outflows are recorded in the payments column

c) Trial Balance

Trial Balances help reveal mistakes in accounts. If the book-keeping has been done properly, both sides of the trial balance will tally. In a double-entry system (each entry on debit side has an equal entry on the credit side), total of all entries on the debit side will match the total of all the entries on the credit side,

Trial Balance for a ledger: Σ debit entries= Σ credit entries

BUDGETS

a) Policies

Budgets provide a standard by which to measure performance, encourage planning, and allocate resources in accordance with funding source requirements.

- Budgets should be reasonable assumptions of income and expenses.
- Budgets should be balanced, and should lead to the accumulation of reasonable reserves, which can be used to ensure cash flow over time.
- The Board should be notified when cash reserves are below 3 months regular operating expenses.
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b) Procedures

- The organization budget is prepared by the Finance Manager, in consultation with the Management Team, beginning no later than January of every year.
- Budgets are approved by the Executive Director prior to submission to the Board of Directors for formal adoption.
- The Executive Director will submit an annual organization budget to the Board of Directors for their approval in December. The Board will also approve a Capital budget.

c) Budget Revisions

From time to time it will be necessary to deviate from the spending plans captured in organizational budgets.

- Non-budgeted expenditures that exceed \$5,000 will be recommended by the Executive Director to the Board for approval and to consider a formal revision of the approved annual budget
- Non-budgeted expenditures between \$100 and \$4999 that cannot be easily accommodated by shifting expenses from another budget line should prompt a discussion within the Executive Management Team to justify the expense, how it will be financed, and how other budgeted expenses may be affected. Executive Director may make final decision.
- Non-budgeted expenditures less than \$100 do not require discussion if they are approved by the Executive Director or the Finance Manager
- Within any budgeted expense category, expenditure changes that do not exceed the total budgeted amount are within the discretion of the appropriate Finance Manager. (For example, funds allocated to Program may be redirected for other Program purposes as long as the total line item amount is not exceeded.). Her/his dissent and the Managing Director desires Board review of the expenditure decision.
- The Board may overturn the decision of the Executive Director within their fiduciary responsibility for the organization.
- Instances of actual fraud or illegal activity are also covered by ARDF Protection Policy.
- The Finance Manager should exercise the right to express disagreement and dissent with a decision by the Executive Director, and should seek to resolve such disagreements informally.
- When that is not possible, in consultation with the Management Team, the Finance Manager may appeal to the Board Treasurer when the Executive Director overrules

FINANCIAL RECORDS AND REPORTS

a) Policies

The organization will employ a regular process for assessing the status of organizational finances and assets. The Board of Directors and Management Team will ensure that timely and accurate financial information is available, understood, and used to guide decision-making.

- The fiscal year for the organization will be January 1 – December 31.
- The financial records of ARDF will be maintained using the accrual basis of accounting.
- Annual budgets will be prepared by the Finance Manager and the Management Team and will be approved by the Board.
- A Chart of Accounts will be used to code receipts and disbursements to the proper accounts to enable proper tracking.

- The Finance officer will reconcile the bank statement with bookkeeping records monthly. The Treasurer or Executive Director will also review an original copy of the bank statement.
- At a minimum, the bookkeeper will prepare the following monthly financial reports for review by the Finance Manager and Management team: Balance Sheet, Income Statement, Budget-to-Actual comparison (BVA), and Cash Flow Report.
- The Finance Manager will make a monthly presentation on the above noted reports to the Treasurer and the Management Team.
- The Executive Director will review a report on monthly journal entries for reasonableness.
- The Board of Directors will review a budget-to-actual presentation and financial report prepared by the Managing Director and Treasurer at every meeting. Any budget variances above 5% will be explained in writing.
- The Board of Directors will review the auditor's report
- At least every two years, an audit or review will be conducted by an independent CPA, to be made available to members of the public.

SEGREGATION OF DUTIES

a) Policy

ARDF is committed to sound internal controls that ensure segregation of duties to create accountability and prevent misuse of organizational assets. The most important of these include the following:

- There will be separation of financial duties and responsibilities so that no staff member has sole control over cash receipts, payroll, bank reconciliations, accounts payable or other accounting functions.
- The check signer will not be the same person who approves expenditures, records bookkeeping entries, or prepares checks for signing.
- Bank statements will be reviewed by at least one person in addition to the person performing the reconciliation.
- Bank deposits will be made by someone other than the person recording receipts.
- Financial management staff will be required to take annual vacation of at least five days.

SAFEGUARDING ASSETS

a) Policy

The following policies will ensure the security of organizational resources:

- Finance Manager shall have primary responsibility for ensuring that proper Financial Management procedures are maintained and that the policies of the Board are carried out.
- The Board of Directors will provide fiscal oversight in the safeguarding of the organizational assets and shall have primary responsibilities for ensuring that all internal and external financial reports fairly present its financial condition.
- A proper filing system will be maintained for all financial records.
- Actual income and expenditures will be compared to the budget on a monthly basis.
- All funds will be kept at Bangor Savings Bank.
- All excess cash will be kept in an interest bearing account.
- Bank statements will promptly reconciled on a monthly basis by the bookkeeper/accountant.

- The board of directors shall approve annually any new signers for each bank account and any new and necessary bank accounts.
- Finance Manager is responsible for promptly notifying financial institutions of any changes to authorized signers on organizational accounts.
- Documents on all fixed assets will be kept in a locked file.
- Appropriate insurance for all assets will be maintained.

b) Procedures

- On a monthly basis, the bookkeeper/accountant will reconcile the bank statements to the general ledger, and notify the Finance manager of any discrepancies.
- The Managing Director will resolve all discrepancies with the assistance of the bookkeeper/accountant, and the bank, if necessary.
- Independently, the Executive Director or Treasurer will receive a copy of the monthly bank statement for review of reasonableness.

ASSET RECORDS

a) Registers

All durable assets purchased shall be recorded in a fixed asset register according to the capitalization policy below. That register shall be sufficiently detailed to provide a history of all purchases until they have been disposed of. This detail shall include, at a minimum, identification of the equipment including the label code (see section **Labelling**), a serial number or other identifying number, a reference to the original purchasing accounting transaction (date, project, voucher number), the total cost, the expected life, depreciation expense and related accumulated depreciation (if applicable) and the location. In addition, any information required by the donor for project assets shall be included in the register.

b) Labeling

Assets shall be appropriately encoded and labelled with **ARDF** sign and labels identifying the asset number according to the following 6-digit code system:

- First Code is for the NGO Acronym – ARDF
- Second Code system is the Country of operation – If South Sudan is SSD, and if Uganda is (UG)
- Third system is for the County/District where the asses is used e.g. Arua (ARU), Juba (JUB), Nasir (NAS) and etc.
- Forth System will be for a Donor e.g. USAID (BHA), UNICEF (UNI) and etc.
- Asset Category code as indicated in the table eg. Vehicle is 01, Motorbike is 02
- Actual asset tag number take three digit starting from 001, 002 ets.

Type of Asset	Org	Country	District /County	Donor	Asset Category Code	Asset Number	Example
Vehicle	ARDF	SSD	JUB	BHA	01	001	ARDF/SSD/JUB/BHA/01/001
Motorbike					02		
Truck					03		
Desktops and Laptops					04		
Printers and Photocopiers					05		
Furniture					06		
Office Equipment					07		
Generator					08		
Other Equipment					09		

FUNDS RECEIVED / RECEIPTS POLICES

a) Policies

The following policies govern how funds received by the organization will be processed:

- In each office, mail is to be opened promptly and distributed by development or administrative staff
- All checks are stamped with a "For deposit only" stamp immediately upon receipt.
- All cash receipts are recorded on pre-numbered receipts.
- Finance Manager will record all receipts in the donor database.
- The Finance officer will be responsible for preparing the documentation on receipts for deposits and making weekly deposits to the bank.
- Finance officer will prepare the detailed cash listing to be posted to the general ledger (amount, date received, account number, etc.).
- This listing is compared to the cash journal to ensure all postings equal amounts deposited.
- A copy of the deposit slip from the Bank is compared and attached to the corresponding receipt copies and cash listing

c) Procedures

- All checks and cash receipts received through the mail or in person are restrictively endorsed immediately by the Finance officer and recorded in the cash receipts log maintained as a spreadsheet, listing the date received, Payer, check #, and amount received, as well as in the fundraising database.
- The Finance officer will restrictively endorse the back of any checks received prior to distributing checks to designated staff.
- Finance officer will make a copy of each cash receipt, and deliver all cash received and copies to the Finance Manager. Cash and receipts will be stored in a locked file cabinet for deposit.

- The Finance Manager shall prepare the bank deposit weekly, attaching a copy of the deposit slip and deposit receipt to the cash receipts copies, and forward the entire package to the Finance Officer.
- The Finance Manager will retain a copy of each cash receipt.
- For gifts received online or by credit card, Finance Manager will post the transaction to a third-party vendor through the organizational database.
- When the deposit is confirmed, the Finance Manager will print a copy of the confirmation to be given to the Finance Officer for entry into the journal on a weekly basis.
- The Finance Manager shall code all cash receipts according to the chart of accounts.
- The Finance Officer prepares the cash receipts journal on a timely basis, using the cash receipts summary sheet.
- Finance Manager posts the cash receipts journal to the general ledger monthly.

ACCOUNTS PAYABLE AND FUND DISBURSEMENT POLICIES

a) Policies

The following policies govern how funds disbursed by the organization will be approved and processed:

- The Executive director will approve expenditures within the parameters set by the annual operating budget as approved by the Board, with the exception of the Executive Director's personal expense reimbursement items, which must be approved by another person having check signing authority.
- Two signatories to the Checks is authorized for any expenses or withdrawal. ARDF Signatories are; Executive Director, Board Chairman, and Treasurer. Program Director will be an additional signatories to be included. Only two signatories are allowed for any withdrawal of cash from ARDF Accounts. The Finance Manager approves check requests after comparing to supporting documentation. Finance Officer prints the pre-numbered checks only with approved requests. The unsigned check, support and request are presented to the authorized check signer. The signers compares information on checks to support for accuracy and appropriateness.
- All disbursements, except petty cash, are made by check or credit card and are accompanied by substantiating documentation. Credit card statements will be reconciled to substantiating documentation monthly.
- All checks are pre-numbered and accounted for monthly.
- Blank checks are stored in a locked drawer. • The Finance officer is responsible for invoices and check requests being marked "PAID" once they have been.
- Vouchers are required for all petty cash disbursements. The petty cash fund is reconciled (beginning amount less voucher amounts) before the fund is replenished. Checks are written only after an approved check request has been presented.
- Blank checks may never be signed in advance.
- Electronic banking allows wire transfers, electronic transfers, stop payments on checks, and account balance inquiries be initiated and completed via computer or telephone. Wire transfers, electronic transfers, and stop payments cannot be set up and approved by the same person. The Finance Manager may approve a transaction that is to be completed by the Finance officer.

- When a wire transfer, electronic transfer, or stop payment has been set up by the accounting staff, the documentation supporting the transaction is given to the Finance Officer for verification and approval before the transaction is initiated

b) Procedures

- All invoices received are stamped with the date received by the Finance Manager and placed in the unpaid open invoice file.
- The Finance manager approves all invoices and expenditures and prepares check requests weekly.
- Check requests and support documentation are delivered to the Finance Officer for check writing weekly.
- Finance officer immediately records all disbursements in the accounts payable ledger.
- Finance officer prepares all checks for the approved expenditures, using pre numbered checks.
- The checks, with support documentation (approved invoices, check requests), are forwarded to the Executive Director. The Executive Director reviews all checks and supporting documentation prior to signing checks. Second signatory may be obtained to complete the signing of the check.
- The finance Manager will be responsible for obtaining the second signature from an authorized signer.
- After the checks are signed, finance officer stamps the check request and all supporting documentation "PAID", noting check number and date. Finance officer will then make a copy of each check and check request. The check copies and supporting documentation is then submitted to the Finance Manager.
- Finance Manager will assign finance Assistant to file a copy of the check, with supporting documentation attached, in numerical order.
- Finance officer prepares the cash disbursements journal on a timely basis, using the check file.
- Finance officer posts the cash disbursements journal to the general ledger on a timely basis, using the cash disbursements journal. Finance officer reconciles the accounts payable ledger to the general ledger on a monthly basis.

PETTY CASH FUND

a) Policies

The following policies govern how the Petty Cash Fund will be managed:

- The Petty Cash Fund is maintained on an imprest basis, which means that the amount spent will be reimbursed.
- Finance manager will act as the custodian of the petty cash fund.
- The purpose of the Petty Cash Fund is to facilitate small purchases or reimbursements needed in the day-to-day operations of the organization, without going through the check writing process, or to provide change for an event requiring cash transactions
- Petty cash disbursements are limited up to \$500 or equivalent in amount per month whether in head office or field offices.
- Any advances to employees from the petty cash fund will be authorized by the line manager, reviewed by the finance manager and must be approved by the Executive Director or Program Director in the absent of the Executive Director

b) Procedures

- Any employee receiving petty cash must sign a petty cash voucher.
- The petty cash voucher must list the amount received, the purpose for which the cash is needed, and the date of the purchase.
- The Finance Manager must submit a check request for reimbursement of the petty cash fund to the Finance officer. All petty cash vouchers used must be attached to the check request as supporting documentation.
- All checks for reimbursement of the petty cash fund must be made payable to the custodian of the petty cash fund.
- Periodically, the Executive Director and/or the Treasurer will make surprise counts of the petty cash funds.
- The petty cash fund will be kept in a locked file cabinet.
- Staff with advances must settle the expense report within 10 days after the completion of work.
- Failure to do so, it will be deducted from the staff salary
- No one is allow to request an advance before clearance his or her advances taken before.
- Expense reports must be filed differently with corresponding numbers to the advance request payment vouchers.

BANK RECONCILIATION POLICY

a) Policies

- Bank reconciliation must be prepared on a monthly basis for all bank accounts even if the balance per books agrees with the balance per bank statement.
- The bank reconciliation should be prepared by the Finance Officer using the standard bank reconciliation **statement**.
- his standard form provides the following benefits:
 - Assurance that all necessary information is included on each reconciliation (the reconciler name and signature, date of preparing, bank name and account's number, the original bank statement attached, numbers and dates of related documents, balances, and financial manger approval and signature),
- Documentation of relevant supervisor approval.
 - The reconciliation should be prepared in the original currency of the account.
 - The reconciliation should be prepared and approved within four days from the end of the month. Reconciling items (i.e., outstanding checks and deposits in transit) should be clearly identified. Items outstanding for a long time should be investigated, and necessary action should be taken.
 - The Finance assistant should prepare a voucher for any unrecorded items identified in the bank reconciliation statement such as cash transfers, bank charges and errors in recording.

- Checks outstanding in the reconciliation for more than six months should be cancelled and investigated. The Finance assistant should prepare the voucher to revert checks back to cash at bank account.
- At the end of the year, a review should be made of the checks that were cancelled and reverted back to the cash at bank. These should be taken to a liability account upon the recommendation of the Finance assistant and approval of the Financial Manager.

b) Procedures

The Finance assistant should perform the following procedures:

- Obtain original copy from of the bank statement for the period under reconciliation.
- From the bank statement for the month under reconciliation, obtain the cash balance as of the end of the month.
- Add to the bank balance the amount of deposits-in-transit as of the end of the month.
- Subtract from the bank balance the total of outstanding checks as of the end of the month.
- When all reconciling items have been identified, either add or subtract the reconciling items from the bank balance as necessary to arrive at the adjusted book balance.
- From the prior month's bank reconciliation obtain the balance forward – general ledger.
- Agree this amount to the beginning of month General Ledger to ensure there have been no prior period adjustments.
- Roll forward the General Ledger to account for all cash receipts, transfers, bank charges and other activities.
- Agree the ending book balance per spreadsheet to the General Ledger and to the adjusted bank balance.
- If ending book balance per the spreadsheet does not agree to the General Ledger, review all items on the General Ledger to ensure they are recorded on the spreadsheet.
- If ending book balance does not agree with bank balance, review all items on the bank statement to ensure that all items recorded by the bank are posted to the General Ledger or are listed as reconciling items.
- Research all non-reconciled differences until found or until passed by the Finance Manager.
- Prepare any journal entries as necessary.
- When reconciled, give bank reconciliation and supporting documentation (i.e. outstanding check list, detail of deposits in transit, copy of bank statement, journal entries) to the Finance manager for approval.

The Finance manager should review and approve the bank reconciliation, and deliver it for further approval,

The bank reconciliation should be reviewed and approved by Executive Director.

The Finance assistant should file approved reconciliation and supporting documentation with the monthly closing file.

The Finance assistant should file the original bank statement by bank.

Bank charges should be identified and recorded on time and at least monthly, and before closing the month.

Procedures

- The Finance Assistant should locate any bank service charges for the month, including wire transfer fees. Various charges may need to be accumulated, and with that amount complete the following entry: Bank charges expense \$(bank charges) XXXXX Cash \$(bank charges) XXXXX
- The Finance assistant should submit the journal voucher for further approvals by the Finance manager who should post the entry.
- The Finance assistant should file the copies of the journal voucher.

PAYROLL

a) Policies

The following policies govern how payment of all employees will be processed:

- Personnel files will be maintained at organizations' Portland office for all employees in a locked file cabinet. Access is limited to the Finance Manager and may be accessed by an employee's supervisor upon request.
- Personnel files will include at minimum: employment application/resume, dates of employment, letter of hire, job description, salary and salary changes, authorization of payroll deductions, Probation report, performance reviews and/or disciplinary action, and termination data, when applicable.
- Changes in payroll data will be approved by the Executive Director before files are updated.
- An outside payroll processing firm will be used to process the payroll and ensure compliance with all applicable laws.
- Payroll will be processed once per month by the Human Resource Manager.
- The Finance Manager will notify the HR manager of any changes to the payroll master file.
- HR Manager will generate the payroll register, payroll checks and tax deposit checks, and sends them to the Finance Manager.
- Finance Manager reviews the payroll register for proper processing of amounts.
- The payroll and tax deposit checks are sent directly to the Executive Director, who is responsible for comparing the checks to the payroll register before manually signing the checks (unless using direct deposit).

b) Procedures

- All personnel salaries/wage rates are authorized by the Executive Director and/or the Board of Directors.
- The Finance Manager maintains all personnel records.
- The Finance Manager monitors the usage of vacation and sick time, and maintains the attendance records. Each supervisor reviews and approves all time and attendance records for their employees. The approved time records are submitted to the Managing Director for review.
- The HR Manager shall prepare the payroll, using the approved time records and salary/wage rates for each employee, and transmit to the Finance Manager for further review and send to the Executive Director. Payroll data is maintained online and transmitted to the payroll service for processing.
- The HR manager ensures staff time sheets are prepared, signed and copies are attached to the Payrolls
- HR may print out individual pays lips and issue to the employees after their salaries being paid.
- Payroll is recorded in the bookkeeping system by the Finance officer.
- An electronic transfer of funds to cover payroll is made to the Finance Manager
- Paychecks are directly deposited to the employees' bank accounts. Employees receive duplicate vouchers that detail all deductions.
- All payroll taxes are paid when due by the payroll service.
- Finance officer verifies the payments at the end of each month by analyzing the payroll service reports and the bank reconciliation statement.

PURCHASING

a) Policies

The following policies govern how purchasing decisions will be made:

- All Regular purchase can be authorized by the Executive Director (See our Procurement Policy). Purchasing decisions for regular supplies and large equipment, including furniture, computers, and software.
- Bids should be sought for goods and services from \$100 and above.
- Cost or price shall be analyzed using CBA (see our Procurement Policy) Price should be one of the factors in the evaluation of responses, but the organization is not required to take the lowest price if other factors are important to the decision. Environmental and sustainability factors should also be considered.
- Any purchase of goods or services costing below \$100, need Approved TOR by the line manager and checked by finance Manager.

VENDOR AND CONTRACTUAL AGREEMENTS AND LEASES

a) Policies

The following policies govern how decisions to enter into agreements with vendors or contractors or leases will be conducted:

- Only the Executive Director or Managing Director may sign a contractual or vendor agreement or lease.
- The Managing Director will maintain a secure file of all vendor, contract, and lease agreements according to the document retention policy. All vendors must submit their Tax Payer Identification and Certification or equivalent prior to payment.

- A determination is made by the Finance officer on the need to file an annual.

OPERATING IN HARSH ENVIRONMENT

a) Policies

ARDF may operate in a location or operating environment in which no formal banking options are available. In those situations, all transactions may be conducted in cash (currency), with an increased need for effective internal control throughout the cash cycle.

When ARDF is operating in a harsh environment, the following measures are recommended to ensure that cash is properly safeguarded:

ARDF should establish firm policies and procedures that clearly indicate the roles and responsibilities of staff members involved in cash custodianship, the documentation required for each step of the cash cycle, and the approvals needed to disburse funds.

- A custodian should be designated and trained to handle the cash.
- To the extent possible, all cash-related functions should be clearly segregated. There should established checks and balances for each cash process. If staffing limitations prevent a full segregation of duties, those weaknesses must be documented and compensating controls must be put into place in order to minimize ARDF' exposure
- When not in use, the cash must be kept in a locked safe; access to the safe must be limited to the custodian.
- If possible, the organization's executive director and Finance Manager should establish a maximum level for cash-on-hand. Any cash in excess of the prescribed on-hand level should be kept at a secure banking location elsewhere; funds should be drawn from that bank when needed.
- Each cash receipt should be documented by the following: a) Cash remittance advice or cash transfer advice (when applicable) b) Pre-numbered, multi-part cash receipt slip, signed and dated by the custodian and by the payer or cash courier. The original slip should be returned to the payer or courier and a copy should be attached to the cash receipts voucher. The custodian should retain another copy in a separate file for sequential control purposes c) Cash receipts voucher signed by the voucher's preparer and approver, with copies of the cash receipt slip and remittance or transfer advice (when applicable) also attached. (Note multiple cash receipts can be included on a single cash receipts voucher as long as they are shown separately on the voucher.)
- Each cash payment must be made only for an authorized purpose and should be supported by a combination of the following documents, as applicable: a) Approved purchase requisition b) Price quotations or pro-forma invoices c) Bid comparison reports with explanation for basis of vendor selection d) Approved purchase order and/or contract d) Goods-received note e) When warranted, explanatory memo justifying any significant variance between items and quantities ordered versus those received f) Vendor's original invoice or employee's travel expense report g) Approved payment/advance request h) Pre-numbered, multi-part cash disbursement slip (required for all cash disbursements). The cash disbursement slip should be signed and dated by the custodian disbursing the cash and the payee. The original cash disbursement slip should be attached to the cash disbursement voucher and a copy should be given to the payee. The custodian should retain another copy for sequential control purposes. I) Cash disbursement voucher that includes all of the supporting documentation cited above, signed by the voucher's preparer and approver. A separate voucher should be prepared for each cash disbursement. No two disbursements should be combined on a single voucher.

- The custodian should be prohibited from authorizing payments.
- The custodian must record all payments in a formal cash ledger. The ledger should show the date of and brief explanation for the purpose of the payment, the payee, amount paid, account(s) charged, and the running balance of the fund.
- All cash transactions should be posted immediately to the cash ledger.
- In addition to the cash ledger, ARDF must maintain a general ledger that includes all of the cash transactions plus all journal entries such as those to record liquidation of receivables balances, depreciation, reclassification, or correcting entries. Someone other than the cash custodian should maintain the general ledger. The journal entries should be recorded on standard documents known as General Journal Vouchers. The voucher's preparer and approver and the person who entered the transaction in the general ledger should sign the vouchers.
- The custodian should count the cash-on-hand daily. The cash remaining in the petty cash box plus the sum of payments made from the date of the fund's last replenishment, less any cash received during the period, must agree to the total authorized cash level. Any difference should be brought to the attention of the Finance Manager or site manager for action.
- Whenever there is a change of custodial responsibility, the cash count must be performed and an official handover of cash and documents must be made. A third person must witness and sign the handover process.
- A designated employee should conduct an independent cash count at least once a week. The results of that count should be documented and reported to Finance manager or project manager.
- At least once a month, a designated employee who is independent of the other cash functions should conduct an unannounced cash count.
- That cash count should be documented and reported to Finance Manager or project manager.
- All cash disbursement vouchers should be canceled to prevent their reuse.
- All vouchers should be systematically filed in a lockable cabinet or locked room; access to those files should be restricted to designated employees.
- Similarly, access to the cashbook and the general ledger should be restricted. If the cashbook and/or general ledger are/is prepared manually, it should be stored in a locked safe during non-working hours. If the cashbook and/or general ledger are/is kept on a computer, the files or computer should be password protected and backed up, at a minimum, weekly. Daily back-ups are recommended, if possible.

GIFT ACCEPTANCE POLICY

a) Policies

The following policies govern how nonstandard gifts will be handled:

- ARDF solicits and accepts gifts that are consistent with its mission.
- Donations will generally be accepted from individuals, partnerships, corporations, foundations, government agencies, or other entities, without limitations.
- In the course of its regular fundraising activities, ARDF will accept donations of cash, marketable securities, bequests, life insurance policies, commercial annuities, retirement plans, and in-kind services.

- Certain types of gifts must be reviewed prior to acceptance due to the special liabilities they may pose. Examples of gifts that may be subject to review include gifts of real property, gifts of personal property, and gifts of securities.
- All decisions to solicit and/or accept potentially controversial gifts will be made by the Executive Committee of the Board in consultation with the Executive Director. The primary consideration will be the impact of the gift on the organization.
- ARDF will not accept gifts that (a) would result in violating its corporate charter, (b) would result in losing its status as 501(c)(3) not-for-profit organization, (c) are too difficult or too expensive to administer in relation to their value, (d) would result in any unacceptable consequences, or (e) are for purposes outside ARDF's mission.

Type of Asset	Life Expectancy	Annual Depreciation Rate
Vehicles	4 years	25%
Motorbikes	3 years	33.3%
Trucks	5 years	20%
Desktops and Laptops	3 years	33.3%
Printers and Photocopiers	3 years	33.3%
Furniture	10 years	10%
Office Equipment	5 years	20%
Generator	5 years	20%
Other Equipment	5 years	20%

FIXED AND CAPITAL ASSETS AND DEPRECIATION

a) Policies

The following policies govern how fixed and capital assets will be treated:

ARDF has established a capitalization threshold of \$100 for property expected to benefit the operations of the organization for multiple years to be considered a fixed asset.

- Property purchased meeting the fixed asset definition is tagged with a pre-numbered asset tag noting ARDF and added to the list of assets maintained by the Finance Manager.
- This inventory list will include the description, serial numbers, asset number, date of purchase or receipt, date of installation, cost including taxes, and life expectancy for depreciation purposes. A copy of the invoice(s) should be maintained with these asset records until asset is sold or deleted.
- The purpose of depreciation is to recognize the decreased value of the property over time (useful life) and to quantify this usage as an expense to each year deriving benefit from its use.
- Fixed assets are depreciated according to the ARDF Depreciation Policy. The Depreciation Policy sets the useful life of property types.
- Depreciation Schedules are prepared for the full fiscal year utilizing the guidelines of the Depreciation Policy.
- As depreciable property is purchased, it is added to the depreciation schedule in the month following purchase/installation.

b) Physical Inventories

A physical inventory of all equipment in the register and of supplies inventories shall be performed at least once every year. This inventory shall be performed by a person not having direct responsibility for the equipment, and shall identify its location and condition, as well as the party to whom responsibility for the equipment has been assigned. The record of the inventory shall be maintained with the equipment register.

c) Asset Disposal

Administration Equipment: Equipment shall remain on the asset register and corresponding depreciation schedule until such time as it is taken out of service or disposed of. At that time, the following steps should be taken:

- If the item is lost, stolen, destroyed, or discarded, prepare a voucher to credit the asset account and charge the accumulated depreciation account for the respective balances relating to that asset as documented in the depreciation schedule. The offsetting remaining book value will be charged to an appropriate loss account. In the year of loss, a notation should be made on the equipment register and depreciation register regarding the loss, and an adjustment made to clear the remaining book value from the depreciation register. Any depreciation incurred for the year should be recognized prior to writing the asset off. Finally in the year following recognition of the loss, the item should be removed from both registers.
- If the item is sold, the proceeds should be receipted in with a credit to cash (or an appropriate receivable if applicable), and a credit to the asset and a charge to accumulated depreciation as described above. Be sure that any current year depreciation has been recognized first. The difference between the net book value and the proceeds from sale will be recognized as a gain or loss on sale of assets. Also a notation is made in the equipment register of the sale and the proceeds received and the depreciation register should be adjusted to delete the remaining book value. The year following sale, the item should be removed from both registers.
- If the item becomes fully depreciated, but is still in service, then it remains in both registers until it ceases to be used.

d) Project Equipment:

Generally if equipment is purchased with project funds, the agreement instrument will specify either the disposition of the equipment upon termination of the project. If the agreement is not specific, there may be regulatory provisions that apply by reference

made in the agreement. In any case, documentation should be obtained from the donor prior to obtaining the equipment to insure that this is properly titled to the appropriate party, and that future obligations with respect to disposal are clear. In addition, any pre-purchase authorization requirements or related waivers should be obtained in writing and on file before committing to the purchase. At the completion of the project, all applicable provisions should be reviewed to determine that all obligations have been met and that documentary evidence is on hand to support decisions. The equipment register shall be updated to reflect the status of the equipment, and if ownership and control reverts to ADRA, appropriate entries to record it as an administrative asset should be made, based on the current market value. If the equipment is sold, care should be taken to insure that the proceeds are properly distributed based on donor or regulatory requirements.

e) **Property Rentals**

Where **ARDF** is to rent a house, office, vehicle or any other asset, a rental contract must be made with the property owner. Authorization for engaging **ARDF** in a property rental contract must be made by Executive Director. The contract must detail the period of rental, the responsibilities of the owner and the responsibilities of ARDF. It should also detail any furniture that the owner has provided in the building. The contract must be signed by the Project Manager or the Finance Manager and the property owner and 3 (three) original copies made, one for the owner, a second one for filing at project level and a third one for the Finance department files.

SECURITY AND COMPUTER CONTROLS

a) **Policies**

The following policies govern the security procedures that will be taken to ensure the safety of physical and electronic records:

- Finance Officer is responsible for inputting the financial data into the computer and bookkeeping software for generating financial reports. Only the Finance officer will have access to the password required to make changes to the system. Finance Manager may have access to review or print information from the system, without making changes.
- Batch totals are calculated prior to input and compared to batch totals calculated by the system. Any errors made during the inputting of information will be corrected.
- Detailed printouts of cash receipts and cash disbursements are to be obtained. Finance Manager is responsible for comparing the detailed printouts to source documents for accuracy.
- All subsidiary account balances are reconciled to the control accounts monthly.
- A trial balance on the general ledger totals should be obtained and compared to detailed reports for accuracy of balances.
- Within each system, access permission is set to allow the appropriate level of access depending on staff positions and job duties.

- Finance officer will perform a backup of electronic records on a weekly basis to assure that data is secure and will not be lost in the event of a computer failure.
- All organizational offices will be kept locked when not in use. Only staff members will have office keys.
- All confidential and financial information will be kept in locked files, including personnel files, financial records, invoices or expenses to be paid, cash or gifts to be deposited, fixed asset listings, and petty cash funds.

b) Use of safe

- All projection locations are required to use a safe for the storage of office cash. Safes should be large enough so that they may not be easily removed and should be bolted down. Safes should be discreetly placed and kept in locked or barred offices.
- Access to the safe should be strictly controlled. A set of keys should be kept by the cashier or cash custodian only. A back-up set of keys should be kept by Executive Director or Head of project location

c) External Audit

- ARDF will have an audit or review prepared by an external firm at least biannually.
- The selected auditing firm will not be used for non-auditing services except tax form preparation.
- Every Three years, a Request for Proposal will be sent to audit firms qualified to provide the type of audit that meets ARDF and/or funder need.
- Finance Manager is responsible for soliciting bids, interviewing firms and making the recommendation to the Board Treasurer and Board of Directors when selecting the firm to be awarded the audit contract. Acceptance of the audit contract will be evidenced by a signed audit engagement letter.
- The audit is reviewed in detail by the Treasurer, but presented to the board by the auditor and accepted by the Board of Directors based upon recommendation by the Treasurer.

d) Annual Audit

ARDF must arrange for an annual audit of its financial statements to be conducted by an independent audit firm. The independent audit firm selected by ARDF will be required to communicate directly with ARDF's Finance Committee upon the completion of their audit. In addition, members of the Finance Committee are authorized to initiate communication directly with the independent audit firm.

Audited financial statements, including the auditor's opinion thereon, will be submitted and presented to the Board of Directors by the independent audit firm at ARDF's Annual Meeting, after the financial statements have been reviewed and approved by the Audit Committee.

Annual audits should be done annually to ensure the accuracy in Finance functions and to facilitate positive audit results.

- The designee appointed by the Executive Director or the Finance Committee would conduct the internal audits of accounts receivable, payroll, and accounts payables semi-annually.
- The designee conducting the audit will prepare an audit report and submit the report to the Executive Director and/or the Finance Committee for review.

The Executive Director will retain the records regarding the results of all internal audits and report inconsistencies or problems to Finance Committee as appropriate. Interim Procedures - to facilitate the timely completion of the annual audit, the independent auditors may perform

selected audit procedures prior to ARDF' year-end. By performing significant portions of audit work as of an interim date, the work required subsequent to year-end is reduced. ARDF staff will as much as possible in order to provide requested schedules and documents and to otherwise assist the auditors during any interim audit fieldwork that is performed.

Throughout the audit process, it shall be the policy of ARDF to make every schedules, documents and information requested by the auditors in a timely manner.

e) **Insurance Coverage**

Annually insurance coverages need to be reviewed to ensure that ARDF maintains adequate property, liability and employee insurance effort to provide

- The Executive Director and the insurance broker shall review the insurance policy limits on property and contents based on current value and new capital purchases upon policy renewal.
- The Executive Director will report to the insurance broker any purchase of equipment or property which could surpass the limits of current insurance coverage.
- The Executive Director will meet with the insurance broker to discuss insurance and general liability insurance coverage a minimum of one time per year.
- The Executive Director will prepare a status report on all insurance coverage levels and premium expenses a minimum of one time per year. This information will be presented to the Finance Committee of the Board of Directors.
- Employee insurance coverage need to be reviewed annually. The Executive Director will work with the insurance broker to identify various insurance options to present to the Finance Committee.
- Insurance coverage for employees will depend on donor's funding condition

RISK MANAGEMENT

a) **Policies**

In order that ARDF can reflect the best practices on corporate governance and risk management and control the Executive Director may not fail to:

- ❖ Operate within the policies established by the board.
- ❖ Implement a risk management framework for ARDF (including its programmes) which allows management and the board to:
 - identify and assess the major risks that apply to ARDF and its programmes;
 - evaluate what action needs to be taken;
 - make decisions about how to control risks;
 - make decisions on periodic monitoring, assessment and reporting; and
 - Develop an overall risk policy.

- Prepare reviews of the risk register for the board to consider within its annual planning cycle

RECORD RETENTION

The Record Retention shall be in accordance to the table below

Records	Years to be retained
Accounts payable ledgers and schedules	7 years
Accounts receivable ledgers and schedules	7 years
Audit reports	Permanent
Bank Reconciliation	3 years
Bank Statement	3 years
Chart of account	Permanent
Cancelled cheque	7 years
Correspondence	7 years
General (Customers, suppliers and Venders)	2 years
Legal	Permanent
Depreciation	Permanent
Duplicate Deposit slips	3 years
Employment Applications	3 years
Expense analyses	7 years
General ledgers/year end trial	Permanent
Insurance Record	Permanent
Internal Audit	3 years
Internal Report	3 years
Invoices from customers	7 years
Minutes book of director	Permanent
Payroll record	7 years
Personal Record (termination)	7 years
Purchase order	7 years
Timesheets	7 years
Tax Return	Permanent
Withholding tax statement	7 Years

In addition to the above, ARDF will annually update an electronic archive containing final versions of key public program documents.

a) Electronic Documents and Records

Electronic documents will be retained as if they were paper documents. Therefore, any electronic files that fall into one of the document types on the above schedule will be maintained for the appropriate amount of time. If a user has sufficient reason to keep an e-mail message, the message should be printed in hard copy and kept in the appropriate file or moved to an “archive” computer file folder. Backup and recovery methods will be tested on a regular basis.

b) Emergency Planning

ARDF’s records will be stored in a safe, secure, and accessible manner. Documents and financial files that are essential to keeping ARDF operating in an emergency will be duplicated or backed up at least every week and maintained off-site.

c) Document Destruction

The Executive Director is responsible for the ongoing process of identifying its records which have met the required retention period and overseeing their destruction. Destruction of financial and personnel-related documents will be accomplished by shredding.

Document destruction will be suspended immediately upon any indication of an official investigation or when a lawsuit is filed or appears imminent. Destruction will be reinstated upon conclusion of the investigation,

d) Compliance

Failure on the part of employees to follow this policy can result in possible civil and criminal sanctions against ARDF and its employees and possible disciplinary action against responsible individuals. The Executive Director and Board Chair will periodically review these procedures with legal Advisor to ensure that they are in compliance with new or revised regulations.

e) Taxation

It is a principle that ARDF, its programmes and staff will pay correctly assessed tax and duty to South Sudan Tax Authority however-ARDF must check and consult donor if the donor is exempted from paying tax. The financial affairs of ARDF and each individual member of staff can.

CAPITALIZATION

a) Policy

- ❖ All items with purchase values higher than **USD 500 (five hundred United States Dollars)** or SSP (Sudanese pounds) equivalent per item and life expectancy longer than **12 (twelve)** months are considered to be fixed assets and shall be recorded in a Fixed Assets Register.
- ❖ All items with purchase values under **USD 500 (five hundred United States Dollars)** or SSP (Sudanese pounds) equivalent per item and life expectancy longer than **12 (two) months** are considered to be an equipment and shall be recorded in an Other Assets and Equipment Register.
- ❖ All items with purchase values under **USD 500 (five hundred United States Dollars)** or SSP (Sudanese pounds) equivalent per item and life expectancy shorter than **12 (two) months** are considered to be an expense and there is no need to maintain in a Register.
- ❖ In case of items purchased by Administration and/or items donated by donors to **ARDF** Administration, all items posted in a Fixed Assets Register should be depreciated monthly according to the rates established in the section. In case of items purchased by projects funds to be used in projects activities, the depreciation policy will depend on Donors regulations and procedures. Usually most of the donors consider any asset as an expense and not as fixed asset subject to depreciation.
- ❖ Some materials such as medicines, greenhouse components, and agricultural commodities, food for distribution or monetization are usually procured by **ARDF** only in relation to a specific project and recorded in Project Inventory Ledgers of that project regardless of their value. In such a case, these commodities, equipment or supplies are not part of **ARDF** general inventory system and it is Project Manager's responsibility to ensure that such items are properly recorded and accounted for through a specific project tracking system.

TRAVEL POLICY

a) Policy

Recognized Expenses – Transportation

- For Board of Directors, regular Air Travel shall be booked by fleet focal person only when the director is traveling for official mission and Travel authorization is approved.
- For ARDF staff, regular air travel shall be booked by fleet focal person only when the staff is traveling for official mission and travel authorization is approved.
- Only booking is done when budget is available or require approval from the donor and board.

Meal Allowances/ per diem

- All ARDF staff authorized to travel to the field site to execute any activity to fulfill ARDF mission, is entitle for Perdiem.
- The per diem is only given to staff who is in different location other than his or her duty station.
- Per Diem rate is determined after market assessment in all ARDF operational sites. An average per diem rate is determine by the finance manager and the Executive director.
- In ARDF, Perdiem rate is categorized in two form; Perdiem during trip to another County/district and Perdiem within the County/District. ARDF Perdiem rate is as indicated in the table;
- Incidental allowances are intended to cover a number of miscellaneous expenses not otherwise provided for. Incidental allowances are provided only for over-night stay is claimed for that particular travel day. Where a traveler incurs meal costs that are higher than the established meal allowances in situations outside of the traveler's control, the actual and reasonable expenses incurred shall be reimbursed, based on receipts.

Category	Perdiem rate
During Trip to another location	US\$ 25
Within the location	US\$ 6

Mileage

- If an individual's preference is to ARDF to a meeting location in lieu of regular commercial transportation modes, the lesser of kilometers traveled versus the airline equivalent will be used as reimbursement for mileage.
- The kilometric rate payable for the use of privately owned South Sudanese registered vehicle will be registered. The rate for that location will be determined. In addition to that, a traveler is expected to fill in the log book for easy calculation of the mileage.

Accommodations

- The standard accommodations can be described as a single room, in a safe environment, conveniently located and comfortably equipped. Typically, ARDF will pay for room and applicable room tax charges only. Other additional room charges (ie: mini bar, movies, room service, etc.) will be sole responsibility of the individual staff.
- Although travelers generally stay in commercial accommodation, private non-commercial accommodation is encouraged. An individual who chooses private non-commercial accommodation shall be reimbursed a rate of **US\$ 20 to \$50 per Night** (with evidence of receipt). This is allowed when communicated earlier before spending night in the hotel.
- However, when using a commercial accommodation, the traveler must present a receipt which is headed with the contact detail of the hotel management.
- When ARDF is organizing a training which involve accommodation of the participants, Normal procurement will be encourage as per the organization procurement policy.
- When staff is travelling to the field site where he will be accommodated on a certain cost, the staff will be allowed to take an advance to spend and account after the trip.

- ARDF will not allow a tradition of taking an advance for accommodation services. The Organization will ensure that all its field sites has accommodation for staff.

EXPENSE REPORT POLICIES AND PROCEDURES

a) Policies and Procedures

- Expense reports **MUST** be supported by receipts for all expenditures.
- Where possible, all meals and incidentals must be expensed within ARDF guidelines.
- A full accounting of expenses must be submitted within 10 days after completion of task
- No Advance will be given to the staff who have not cleared his or her previous advance.
- Expense report must be supported by a well written narrative report.
- Expenses report must be approved and file
- Copies of Travel authorization, advance request **MUST** be attached to the expense report.

COST SHARE

a) Policies and Procedures

- Cost share is the non-donor portion of the costs of organization project. Cost share may either be cash or in-kind contributions.
- This may be cash or in-kind contributions. In-Kind Contribution—Non-cash resources contributed to a project. This may include volunteer services, equipment or property.
- Once organization commits to providing cost share and it is included in your agreement's approved budget, organization is required to provide documentation showing that this obligation has been met successfully.
- If organization committed to providing cost share, but is unable to meet obligation as planned, organization is still responsible for it. Example: organization agreement has an approved budget of US\$1.1 million, which is composed of US\$1 million in donor funds and US\$100,000 in cost share. If organization document and report cost-share contributions of only US\$75,000, organization is responsible for the remaining US\$25,000. Organization does not provide acceptable documentation and report the remaining balance before the end of the project's period of performance; the donor may reduce organization final obligation of donor funds by US\$25,000.

Cash and in-kind contributions from a non-donor source may be eligible to count toward organization cost-share commitment. To be counted, a cost-share contribution must meet all of the following criteria:

- must be verifiable in your organization's records;
- cannot be included as a contribution for any other donor-assisted program;
- is necessary and reasonable for proper and efficient accomplishment of project objectives;
- Is allowable under the applicable donor cost principles (including reasonableness of the cost or value of the donated goods or services);
- is not paid for by the donor under another agreement; and
- Is included in your approved budget.

NB: Certain procurement restrictions that apply to the use of donor funds may not apply to the use of non-donor cost-sharing resources. For example, the source and origin procurement requirements and international travel provisions in your agreement may not apply to purchases or travel using non-donor funds.

b) Reporting Cost Share

In order to demonstrate that ARDF is meeting cost-share obligation, ARDF must record the amount (or equivalent amount in the case of in-kind contributions) in ARDF Financial Report. Cost share amounts must be verifiable in ARDF's records and are subject to being audited.

Documenting and Reporting In-Kind Contributions

- Volunteer services may count toward your cost-share obligation, but they must be documented and, to the extent feasible, supported by the same methods you use with your employees (such as timesheets). Rates for volunteers should be consistent with those paid for similar work by your organization or rates paid for similar work in the local labor market. Donated supplies may include expendable equipment, office supplies, laboratory supplies or workshop and training materials.
- The value claimed for expendable personal property, donated or loaned equipment, donated land or buildings or donated space must be reasonable and may not exceed its market value at the time of the donation.
- The value of donated land and buildings or office space should be established by an independent appraiser (e.g., certified real property appraiser) and certified by a responsible official in your organization.
- ARDF must document the basis you used for determining the value for any personal services, material, equipment, buildings, or land that you report as an in-kind contribution. There is no mandatory way to do this, but it must be fair and clearly documented.

ARDF may have more than one project incurs three categories of expenses:

- Direct project costs. Costs that can be clearly attributed to a specific project, such as a dedicated staff person, office space used by project staff or specific equipment and supplies used only by a single project.
- Shared project costs. Costs that are required to carry out a project, but are difficult to attribute to a specific project, such as electricity or administrative support staff
- Non-project costs. Legitimate organizational expenses, but costs not related to any specific project or costs that are not "allowable."

Most of organization expenses will easily fall into the direct cost category, while non-project costs are usually self-evident. Costs that may be shared, however, may be the biggest challenge.

Shared Resources versus Shared Costs There is an important difference between a resources that may be shared by more than one project versus something that is a shared or indirect cost.

A resource that may be shared by more than one project typically falls into the direct cost category. For example, think of a professional staff member as a resource that may devote time to more than one project. Since the individual's time is tracked on a timesheet, ARDF will know exactly how many hours were spent working on Project A versus Project B. Therefore, ARDF can allocate the exact number of hours and salary to each project as direct costs.

Another example: If ARDF has a vehicle, it may be used for trips by staff working on more than one project. Every trip taken should be noted in the vehicle usage log book. Therefore, the expenses for each trip can be allocated as a direct cost to each project.

A shared or indirect cost, on the other hand, is one that is has been incurred for common or joint project need. Examples of common shared office costs are utilities, Internet service charges and

expendable office supplies like paper and paper clips. Unlike the examples above, it is not obvious how much should be charged directly to any one project.

ANNEXES: Financial Tools

1. Travel Authorization Form – TAF
2. Advance Request Form - ARF
3. Payment Authorization Form – PAF Field
4. Payment Authorization Form – PAF Head Office
5. Expense Report Form