

***Sudan Assist for Development Organization***

***The Internal Control finance Policies and Procedures***

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**Introduction**

**A system of Internal Controls is Consist of all Measures used by an Organization to safeguard its resources and ensure accuracy, efficiency and reliability in the accounting and operating information.**

**It is important to emphasize that internal controls are designed to prevent or identify inadvertent errors as much as they are intended to prevent the deliberate that or misuse of funds. Without an appropriate system it is not possible to assure the reliability and integrity of the records or reports generated by *Sudan Assist for Development Organization*. Therese are control system that an internal auditor would generally expect to see in place during its audits the organization.**

**An effective control system ensures that procedures are in place that meets the following objectives:**

1. **Adequately safeguard the cash, property and other assets of the SADO.**
2. **Ensure that all Financial Transactions are appropriately documented and approved by authorized staff.**
3. **Funds are expended in accordance with Donor requirements and limits.**
4. **Ensure Financial Report is accurate, Timely and confirms to SADO Policies.**

**The overriding objective of the SADO Governing Policies is to cost – effectively reduce the risk of loss or misuse of funds or Property to tolerable level.**

**Within the concept and consideration there is a discussion of:**

1. **Personnel**
2. **Segregation of Duties**
3. **Authority Level**
4. **Documentation Standard**
5. **Independent Reviews**

**In the major types of activities, you will find information in the major control risks, Standard forms and Controls:**

1. **Personnel**
2. **Cash**
3. **Payroll**
4. **Procurement**
5. **Tangible Property**

**Internal Control Concept & Considerations**

**Personnel**

**Competent Trustworthy Personnel are essential for an effective control system. The hiring or retention of dishonest or incompetent staff is a major cause of the loss or misuse of assets.**

* **Hiring Procedures need to be focused on ensuring that staff is hired on an unbiased, so that Candidates are selected based on qualifications and Experience and conflict of interest are avoided or minimized.**
* **Standard Performance evaluation Process will recognize good performance but it must also identify under performance evaluation staff and ensure that the corrective action is taken to improve performance or remove the employee.**
* **Employees can only fulfill the requirements of their position if these requirements are clearly communicated. Every employee must have an up to date job description, which clearly states her or his duties and responsibilities.**

**Segregation of Duties**

**Essential to the Control system is the concept of segregation of Duties. Every Financial Transaction involves four steps:**

1. **Request i.e. request to purchase**
2. **Approval & authorization i.e. authorized personnel to approve request, Purchase order.**
3. **Execution i.e. purchasing, receiving and payment.**
4. **Recording i.e. accounting.**

***Purchasing limit and supporting documents:-***

|  |  |  |
| --- | --- | --- |
| **Purchasing limit** | **Type of Process** | **Supporting document** |
| **From1 $ and less than 500 $** | **Non procurement process** | **1-Payment without PO**  **2- Invoices**  **3- GRN**  **4-Payment request** |
| **From 500$ and less than 3000$** | **Procurement process** | 1. **Purchase request (PR).** 2. **Purchase order (PO).** 3. **General received note (GRN).** 4. **Invoices** 5. **Payment request.** |
| **From 3000$ and less than 6500$** | **Procurement process** | 1. **Purchase request (PR).** 2. **2 quotation** 3. **Summary of bid analysis (SBA)** 4. **Purchase order (PO).** 5. **General received note (GRN).** 6. **invoices** 7. **Payment request.** |
| **From 6500$ and less than 8000$** | **Procurement process** | 1. **Purchase request (PR).** 2. **3 quotation** 3. **Summary of bid analysis (SBA)** 4. **Purchase order (PO).** 5. **General received note (GRN).** 6. **invoices** 7. **Payment request.** |
| **From 8000$ and over** | **Procurement process** | 1. **Purchase request (PR). Attached with bill of quantity.** 2. **Bid process** 3. **Summary of bid analysis (SBA)** 4. **Purchase order (PO).** 5. **General received note (GRN).** 6. **invoices** 7. **Payment request.** |

**No one should handle aspects of a single Transaction. For each Transaction the responsibility for authorization, accounting for and custody of the related assets must be separated.**

* **The custody for assets must be separated from the responsibility for accounting for these assets. For example:**
* **Someone who does not have access to or responsibility for payroll accounting should perform the distribution of payroll checks or cash.**
* **A cashier should not have responsibility for recording or entering the accounting entries in the ledger.**
* **The authorization of transaction must be separated from the custody of related assets. For example:**
* **The warehouse staff cannot approve the dispatch or distribution of the goods.**
* **Cashiers cannot be authorized to approve cash disbursements.**
* **Program staff approving purchase of supplies may not also keep the program supplies inventory.**
* **The authorization of Transaction must be separated from the accounting for the transaction. For example:**
* **Check signers should not also be authorized to approve accounting transaction.**
* **Staff authorized to hire employee or temporary labor should not be able to approve payroll entries.**
* **For procurement activities particular attention must be paid to the authority for the selection of vendors, bidding process and approval for the final supplier. For example:**
* **The person responsible for maintaining the vendor list should not authorized the final selection of the supplier.**
* **The person soliciting bids cannot be responsible for maintaining the vendor list.**

**Authority levels**

**Control system can only function effectively when the employees know how within the organization has the responsibility and authority to initiate or approve expenditure or the use of other assets. These responsibility and authority level must be specifically defined and structured to reflect the knowledge and responsibility level of the various positions within the organization structure.**

**Employees assigned the authority to approve and/or authorized commitments or expenditures must:**

1. **Be given written notification of their authority level and limits. (this may be included in their job description)**
2. **Be fully conversant with required procedures and documentation before approval can be given to commitment or expenditures.**
3. **Depending on authority level be knowledgeable of any specific donor conditions related to procurement and expenditures.**

***Sudan Assist for Development Organization***

***Authorization List***

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Title** | **Grant** | **Amount in USD** | **Approve**  **Purchase request**  **Travel Request**  **Bid analysis Summary** | **Authorize Cash or Bank disbursement** | **Authorize contracts, including employment& sub grant agreements** | **Authorize accounting transaction** | Authorize purchase order |
| **Program Manager**  **Admin Manager** | **all** | **500** | **YES** | **No** | **No** | **No** | **No** |
| **Logistic Manager** | **All** | **500** | **Yes** | **No** | **No** | **No** | **Yes** |
| **Field Coordinator**  **Program Coordinator**  **Finance Controller**  **Admin Coordinator** | **All** | **5000** | **Yes** | **Yes** | **No** | **No** | **Yes** |
| **Deputy Director** | **All** | **10000** | **Yes** | **Yes** | **No** | **No** | **No** |
| **General Director** | **All** | **100000** | **Yes unlimited** | **Yes** | **Yes** | **Yes** | **yes** |

1. **Any authorization schedules issued are now valid.**
2. **Any increase of limits specified above must be justified. Approval should be kept in the file from the Chairman and Finance Controller.**
3. **Authority at Manager Level cannot be delegated dawn to any other person. At coordinator level and above, authority may be delegated in writing for another person to act in the position for specific period.**
4. **In increasing this authority, you must follow:**
5. **SADO policies on Procurement and internal control.**
6. **Donor contract requirement.**
7. **This schedule may not be circumvented in any way. Purchases or payments may not be split in order to avoid obtaining the correct level of approval.**
8. **Any increase of limits specified above, must be justified and we need to have approval in the file from the Chairman and Finance Controller.**
9. **In no circumstances may a person authorize a payment to himself or herself.**

**\*Finance Controller can authorize disbursement as co-signatory only.**

**\*\* General Director may sign checks in excess of $100,000 if the commitment has been authorized from the Procurement committee at Head Office.**

**\*\*\*Purchase Order may only be issued if all documentation/authorization complies with Best Care Procurement Policy. This applied to all donors and Programs.**

**\_\_Yahya Mohammed Yousif\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

**Chairman Date**

**Accounting &Transactions**

**It is important to recognize that the Finance Staff should not be able to authorize the Transactions they are responsible for recording. This is the basic requirement under the Segregation of Duties.**

**Documentation and record keeping Standards**

**It is essential that financial activities and Transactions are clearly and appropriately documented and recorded.**

**Best Care is responsible to the Donors and Management for the use of its funds and other assets.**

**The accountability involves proving that donor funds were utilized as effectively as possible and within the terms of funding agreement.**

**Program report and data provide part of this information. However, the major portion of this proof must come from the documents supporting the Financial/ accounting records.**

**Documentation of accounting entries may be considered complete if the following condition is met:**

|  |
| --- |
| **Assuming a complete turnover of staff, and one year of time has elapsed, and auditor could review the documentation and find that it completely describes and supports the Transaction.**  **No additional information needs to be required.** |

**SADO is required to keep accounting record for minimum seven years. This period will be extended if required by specific Donor.Documents must be safety stored to prevent loss or damage. An appropriate filling system&/or storage system for historical record need to be in place to ensure the required Documents can be located when required.**

**To maintain uniform standards of Documentation and record keeping systematic procedures need to be in place, which incorporates standard forms, approval process and accounting procedures. An up –to –date policies and procedures manual, which clearly specifies these procedures, is essential maintaining adequate documentation and record keeping.**

**Independent reviews**

**The previous control features are used in day- to- day processing of activities and accounting. However regardless how good a system is errors will be made and circumstances will change that should require changes in the control system. To ensure timely identification of errors and the need for changes to the system procedures need to be in place that ensures periodic independent reviews are performed. For example:**

* **Someone should not involve with cash or accounting should perform periodic surprise cash counts.**
* **Program staff and senior Management team should review monthly expenditure report.**
* **Inventory, or supplies, should be independently counted and verified to the bin cards/logistic system & accounting records.**
* **Annual performance evaluation should be required for all staff, utilizing standard format**

**And review process.**

**On an annual basis a format review of the controls in place, authority level and procedures manuals implemented.**

**Personnel**

**Hiring and retaining complete trustworthy employees and identifying those who are not is a critical part of internal control. Retaining incompetent or untrustworthy employees increase the risk of loss or misuse of assets.**

**Hiring**

**Here is policy regarding hiring a staff and it should not supersede the Sudanese labor law.**

1. **All positions, including the newly ones, should have job description that reasonably describe the responsibilities and requirement of the position. The employer and employee must review, sign and date the Job description.**
2. **Written contracts should be prepared for all consultants or other person not actually being hired as employees. Such contract should either prepared on a form approved by competent local counsel or be reviewed by local competent counsel.**
3. **All vacancies must be advertised adequately and short listed by a committee of at least three persons.**
4. **Potential employees should be interviewed by at least two personnel-the employee's supervisor and a member of HR or Administrative unit.**
5. **The result of interviews should be documented in writing.**
6. **Interviewed should include relevant questions about the person background, their interest in the position and qualifications for the Job.**
7. **When the results of the HR or administrative employee interview are not favorable toward hiring individual, but the individual's potential supervisor is, then the candidate should be interviewed by a third employee. If third hired person does favor hiring the individual, the person should not be hired.**
8. **Resume should be obtained and references requested and investigated. A background check should also be conducted for positions of greater responsibilities, such as warehouse storekeeper, cashier, spare part check, etc.**
9. **Where practical skills presented by the applicant should be tested (i.e simple computer test) to determine their actual skill level.**

**When cost-effective, employees how have access to or custody of funds or property should be bonded.**

**Retaining Personnel**

**HR or administrative unit should receive all the annual performance appraisals and identify any employees that have not received an appraisal within a reasonable amount of time, these employee’s supervisor should be notified and requested to complete all appraisals that are outstanding.**

**The General Director should request guidelines for preparing performance appraisals from HR Department the Heat quarter Office.**

**An appropriate employee should assign the responsibility of periodically, at least annually, reviewing local salary and benefits package provide to the local employees to determine whether they comply with the current local law.**

**Employee should not directly supervise anyone that they are related to i.e. an employee should not directly supervise his or her spouse, parent,children or their immediate family members such uncles, aunts, sons, or daughter’s in-law, etc. employee should not directly supervise anyone with whom they are in relationship.**

**Separation/ Termination**

1. **Before separating from SADO Employee are required to sign a form that states they have received all benefits that they are entitled to and that they have no further claims. This protects SADO if later the ex-employee attempts to take legal action for more benefits.**
2. **Before paying benefits to separated employees, amount owed to SADO should be deducted from the payments due. if necessary and where legally allowed, a deposit should be retained to cover outstanding bills (i.e. phone bill not yet received)**
3. **A HR or administrative employee or general director should conduct exit interviews of all separating employees. The primary objective of which is to get feedback regarding why they are separating and what it might be dissatisfied with.**
4. **The turnover of responsibilities from the departing employee to their replacement should be clearly documented in a letter; the letter should be signed and dated by both employees. Typical turnover notes should include:**

* **Outstanding issues**
* **The status of ongoing projects, a brief summary of objectives should be described.**
* **Current deadlines**
* **Any others detail the new employee should be aware of.**
* **If it is a supervisory position the responsibilities and abilities of all direct reports should be documented.**

**CASH**

**Cash is the most liquid of assets, and is therefore most likely to be misappropriated. For this reason, establishing basic internal controls over cash receipt, maintenance of cash receipt and cash disbursement is critical.**

**Risks with the cash are:**

1. **Theft or loss of cash.**
2. **Disbursement of cash without proper Document or authorization.**
3. **Incorrect charging of receipt/ disbursements. (incorrect source code or accounts.)**
4. **Disbursement that do not comply with donor regulations.**

### Safeguard Cash and Checks

* Emphasize physical security to those who handle cash and checks.
* Restrict access to cash and checks to as few individuals as possible.
* Count cash in a non-public area, with more than one individual present, when possible.
* Deposit cash and checks daily.
  + Request approval from Financial Management if it is not feasible to deposit or withdrawn cash and checks daily.
* Eliminate cash and checks held overnight.
  + Request approval from Financial Management if cash and checks must be held overnight.
* Lock cash and checks in a secure location and minimize employee access.
* Provide combinations/passwords only to authorized personnel.
* Change combinations/passwords at least annually or with turnover of related personnel.

**Cash & Banking**

**The Balance of this section identifies the minimum requirement in respect to forms and policies to ensure an adequate control system is in place.**

**Required forms**

* **Official Receipts**
* **Cash Receipt Vouchers**
* **Petty cash vouchers**
* **Cash disbursement vouchers**
* **Cash count form**
* **Bank Reconciliation forms**
* **Check Requisition**
* **Bank Checks**
* **Field cash Transfer Request**

**In- country Policies/procedures**

**Finance Controller is responsible for developing and issuing policies and procedures to cover the following ears.**

1. **Petty cash – written limits for each petty cash fund held must be in place. the Finance Controller and General Director should authorize limits and charges to limits.**
2. **Cash in Office- those Offices with Banking Facilities may have to operate with significant amount of cash being held in the office. Cash on the office funds must be treated in the same manner as a bank account the General Director and Finance Controller must issue written limits on the maximum amount of cash to be held in the Office, individual limits should be set for each field office that needs to maintain cash in the office fund. Cash in the office accounts is like a bank account; therefore, Head quarter approval is required for all cash in the office accounts.**
3. **Cash Transfers- all field sites must utilize a local bank account at the field Office locations, whenever that is possible. General Director and Finance controller must issue written limits on the maximum amount of cash to be transferred and/or held at each field site office bank.**
4. **Cash vs. Bank payments- head quarter and field sites are encouraged to use checks or banks transfers for payments to supplies whenever possible, and a limit should be set as a maximum amount to be paid in cash.**
5. **Physical movement of cash- when the bank system is not functioning effectively and, as a result, it is required to physical cash from one location to another a policy detailing the logistics, security and personnel conditions must be in place. The policy should also set maximum cash amounts to be transferred in any single shipment. Insurance policy regarding the theft of Cash should be reviewed and the heat quarter must ensure that they meet the maximum requirements**
6. **Foreign Currency exchange policy- specifying minimum/maximum amounts of foreign currency to hold, frequency conversions, and with whom the money should be exchanged.**

**Minimum supporting documentation**

**All accounting transactions related to cash require a minimum level of external documentation. As such all cash receipt vouchers, Cash disbursement Voucher s and /or adjusting entries require the following supporting document be for the transaction can be approved and recorded.**

**Cash receipts**

* **Pre-numbered official receipt must support all cash receipt vouchers. The Official Receipt will bear the signatures of the person how gave the money and the cashier receiving the money.**
* **The actual deposits to the bank should be supported by one of the following:**

**SADO deposit slip stamped by the bank as confirmation of deposit**

* **Bank issued receipt**
* **Bank passbook with deposit entered and signed by the bank**

**Bank Transfers**

* **The same types of documentation as is required for cash or check disbursement must support Transfers out**
* **A bank transfer document/ receipt showing the amount receipt or transferred out should support bank transfers. The receipt should show from who the money was received or to how the money was sent. The receipt or a second receipt should show the amount of any related fees.**
* **In the case of the bank do not have checks books and the organization use a form on SADO Letter head for transfers/ payments of fund. In such cases all transfer/payment request must be pre numbered. The HQ should print the transfer request for a month requirement and keep them in the safe custody under the control of someone other than authorized signatory. Nobody other than the person designate should have access**

**Or authority to print the transfer request.**

**Foreign currency Exchanges**

* **SADO operates extensively in foreign currency. However, purposes and for Grants in USD currency all the expenditures are reported in US Dollars. The conversion of foreign currency expenditures to their US Dollar equivalent is based in the actual of exchange received when money is converted. Donors have previously and have the right to dispute expenditure amount due to undocumented exchanges.**
* **All foreign exchange conversions must be supported by one of the following:**
* **Bank receipt showing US dollar amount and local currency equivalent amount, and if possible, exchange rate.**
* **Bank us dollar withdrawal transaction and local currency deposit transaction receipt**
* **Exchange document from a money exchange office**
* **SADO Field Office Receipt for the money exchanged with unofficial agents.**

**Disbursements (cash or check)**

* **Disbursement transactions have the greatest variety of the legitimate supporting documentation as they cover the widest range of financial activities.**
* **The signature of the person receiving the cash or check as proof the approved person received the fund must support all disbursement transactions. If fund is transferred via the banking system, or deposited directly into the bank account, a bank receipt /statement showing the recipients names, bank account and date of deposit replaces the requirement for the recipient's signature.**
* **For procurement activities (good or services) the following documentation maybe required:**
* **Purchase Request**
* **Bid Solicitation (Requestfor quotation or request for proposal)**
* **Bid analysis for supplier selection**
* **Purchase order**
* **Contract**
* **Proof of receipt (delivery report)**
* **Vender invoice**
* **Copy of service contract**
* **Internal report verifying services have been completed (for consultant contracts)**
* **For payroll activities**
* **Timesheet, attendance record**
* **Payroll register (or equivalent) showing gross to net pay and changes from prior period**
* **Tax remittance statements /summaries**
* **For other types of activities:**
* **Travel expense report**
* **Perdiem request**
* **Salary advance request**

**Reconciliation's & verification**

**Standard reconciliation's and independent verification are essential to maintaining the integrity of control over cash.**

**Physical cash (petty cash and cash-in-office)**

* **Cash is counted at least weekly, by the cashier and balanced to the ledger or cashbook balance.**
* **Cash is counted by cashier supervisor at least bi- monthly and balanced to the ledger or cash book balance.**
* **Other management staff conducts surprise cash count on a regular basis.**
* **As all cash count must be documented and put on file for verification.**

**Procedures are in place to ensure an independent person verifies that all official receipts, blank checks, and disbursement vouchers are counted.**

**Safe**

**a safe with combination & /or keys should be installed in discrete location (i.e. not immediately visible to people visiting the office). Access to safe must be limited to one or two people and the combination changed in the regular basis. Consideration should be given to physically bolting or cementing the safe to the floor or prevent theft.**

**Banks Accounts**

* **A person how does not have access to adjusting the ledger balances completes the monthly reconciliation of bank and cash balances to the ledger balances within one week of the month –end.**
* **All bank reconciliations are reviewed by Finance Controller and General Director.**

**Payroll**

**The major risks associated with the payroll are:**

1. **Overpayment to legitimate employees.**
2. **Payment to factious person**
3. **Failure to recover advances**
4. **Misappropriation of payroll funds**
5. **Under or over withholding taxes.**

**Required forms**

**In order to avoid confusion or misunderstanding among staff members about salaries and benefits it is essential that all payroll related activities be clearly and consistently documented. This type of documentation is a key to good internal control over the payroll process.**

**All field office should have the following types of forms:**

* **Employee employment letter**
* **Employee timesheets-for recording hours worked, by grant, and absences**
* **Employee leave forms- for requesting and approving leave time.**
* **Employee action/change form-for recording changes in salary, benefits or other pay related actions**
* **Employee termination form- for recording the termination of a person from the payroll**
* **Salary advance form- for requesting salary advances, repayment date should be satisfied (i.e. next payroll date)**

**In-country policy/ procedures**

**The following policies & procedures it should be in place:**

1. **Staff Policy Manual – a written staff policy detailing employment terms, salary level & review process, and benefits entitled is essential.**
2. **Advance policy – the policy should address whether advances are permitted and if so with what limits and for what period. SADO generally discourages salary advances.**

**Payroll system controls**

**SADO must have some kind of Payroll system (excel spreadsheet, database, or other software package) to calculate staff payroll. Control over access and changes to the system are essential to maintaining the integrity of the payroll.**

1. **The payroll system should be kept in the computer that has restricted access. I.e. not a computer used by visiting staff,multiple department or users.**
2. **Access to actual payroll data should be restricted to a single payroll clerk/officer (password can be used to restrict access).**
3. **Whenever possible the calculation function within the system should be protected from change, i.e. tax calculation, hourly pay calculation etc.**

**Minimum supporting documentation**

**The following documentation is required for changes to the payroll.**

* **Payroll advances – authorized payroll advance form, showing the signature of employee who received the advance**
* **Salary increases/ changes- authorized employee action/ change form**
* **Adding new employee- authorized employment contract**
* **Regular pay- authorized timesheets**
* **Final pay including unused vacation pay, severance etc. authorized termination form**
* **Special payments- any others payments outside of normal policy should be supported by an action/change form authorized by the General Director.**

**Any changes to tax calculation or benefit (vacation, severance.) Calculation should be documented in writing and approved by Finance Controller and General Director.**

**Payroll disbursement/transfers**

* **A payroll register signed by Finance Controller is required before any payroll disbursement can be authorized.**
* **Disbursement of payroll is subject to the same controls as any other cash/check payment or bank transfer.**

**Reconciliation's & verification**

**Regular payroll verification-the finance controller should sign the payroll register as confirmation of verification and authorization to pay. Every payroll should be verified by the finance Controller prior to payment. The verification process should include:**

1. **Identifying and verifying all changes made to payroll since the last payroll date. The Finance controller should inspect properly approved and authorized documentation for any and all changes identified toensure these have been correctly processed and that no authorized changes entered. Particular attention should be paid to the employee names and payment amounts.**
2. **Inspection of timesheets, to ensure they have been approved by the supervisors, check of proof of attendance.**
3. **Checking all terminated employees have been deleted from the payroll or their final pay has been adjusted to what is specified on the termination form.**

**Salary advances**

* **The salary advances account in the general ledger should be reconciled monthly, to determine any outstanding advances. The reconciliation should be performed by someone other than the payroll clerk and approved by finance controller.**

**Accumulated leave**

* **At least semi-annually the amount available to employees should be confirmed with each employee. Special attention should be paid when policies stipulate that the annual leave will be lost if unused after a certain date, and that accumulated leave is adjusted in accordance with the policy.**

**Annual policy & procedures review**

**The finance controller and the general director should review the following at least annually to identify any changes in circumstances that should be reflected in the Organization Policies or procedures.**

1. **Advances policy-to assess whether the policy remain appropriate. a review of the number of staff taking advances, and their frequency should be undertaken to determine whether the payroll frequency should be increase. For example, the payroll paid monthly but most of staff takes midmonth advances it may be appropriate to switch to semi-monthly payroll.**
2. **Payment Policy- use of cash vs. checks vs. bank transfers.**
3. **Payroll system- tests all calculations to ensure accuracy and compliance with current policy and local tax requirement.**
4. **Salary levels and salary increases- ensure that all salary increases where appropriately approved, is accordance with the current policy and within the current budget, review the policy in light of the current environment and provide recommendations s to HR if necessary.**

**Procurement**

**Management of procurement it should be a top priority of management. A good system will require strong logistics and Finance coordination.**

**The major risks with procurement are that:**

1. **The wrong items are purchased**
2. **He corrects items are purchased but at price that is higher than necessary (either through error or through improper dealings with vendors).**
3. **Items of inferior quality are purchased.**
4. **Purchases are made without sufficient funds.**
5. **Purchases are not incompliance with donor regulation or terms of the grant agreements.**

**Required Forms**

**All field sites should have the following types of forms for use in procurement**

* **Purchase Request- PR**
* **Request for Quotation- RFQ. To seek supplier offers for purchasing of goods or services that is clearly defined.**
* **Request for Proposal- RFP. To seek supplier offers for goods and services were there is different solution to a requirement.**
* **Bid Analysis-BA**
* **Purchase Order- PO**

**Specified with the contracts**

* **Terms and Condition**
* **Supplier invoices**
* **SADO Delivery Report**
* **Payment Request Voucher**

**Types of vender and their selection**

**SADO has grouped suppliers into three board categories, Ad-hoc, authorize and contracted.**

1. **Ad Hoc Suppliers.**

**Ad Hoc Suppliers arts used on an infrequent basis i.e. for goods or services not routinely purchased. They may be used directly for smaller value purchases (typically less than $2,500) or are selected on an individual purchase basis; usually as a result of a competitive quote process. The value of the purchase and / or donor procurement regulation will determine appropriate process to use.**

1. **Authorized Suppliers.**

**Authorized suppliers are suppliers who have been pre- qualified by SADO to provide price quotations these suppliers will be established for goods and services used by on fairly regular basis. Through logistic will routinely monitor the Market place to remain on prices and availability, working with a limited number of reliable and reputable suppliers allows closer monitoring of pricing and relationships. It also speeds the procurement process by reducing the time to identify viable suppliers. Note also some donor regulations (notably the EU, ECHO and the World Bank) require the establishment of authorized vendors.**

**Authorized Suppliers are pre-qualified through formal survey process. The Pre-qualification status is internal BCRDO status. There is no contractual obligation between the supplier and SADO.**

**Logistic will invite supplies to complete survey (formatted very similarly to an SADO). suppliers can be approached directly if there are a limited number, or in large markets an invitation to collect survey questionnaires will be published in an appropriate newspapers or journals.**

**Note that it is possible to use the results of an SADO process for specific purchase to pre-qualify vendors (i.e. serve two purposes with one SADO).**

**The database /file will include the following information.**

* **Company name and address**
* **Name of the manager / contact person**
* **Phone/fax/email coordinates**
* **Type of goods or services offered**
* **Basis of pricing (list, catalog. Prevailing market etc)**
* **Company capacity (staffing, stocks etc)**
* **Date of first entry into the register**
* **Date of the last information update**
* **SADO comment on the basis of collected data**

1. **Contracted Suppliers**

**Contracted suppliers are suppliers with whom SADO has a formal contractual relationship. These suppliers are selected after a formal, process and are used for materials or services purchased on a regular basis. Contracts are established for defined categories of good under an agreed price structure for a specified period. Contract may only be established for items or equipment that SADO commonly purchases for its activities i.e. may not be established for occasional or ad-hoc purchases. This will typically for administrative or vehicle supplies and services, or program, supplies such as water /sanitation parts etc.**

**A fully transparent and documented process is essential to maintaining the integrity of the selection process and maximize value for SADO. Contracted suppliers are selected through a formal RFP (Request for proposal) process as follow,**

1. **Establish a supplier selection committee that represents the various functional departments (logistic, finance, admin, program and at least one field coordinator).**
2. **Program and logistic staff must identify the items or categories of items and services that are purchased on a regular r frequent basis.**
3. **A short –list of key items or services required should be prepared and suitable suppliers located.**
4. **A formal sealed bid tender process will be undertaken using the SADO standard format RFP-invitation to tender, in a limited market, tender documents may be distributed directly to pre-identified potential suppliers or may be advertised in local newspapers for interested suppliers.**
5. **Based offers received, the selection committee select the supplier, documenting the tender opening with meeting minutes and the supplier justification with Bid analysis**
6. **Logistic prepares a draft contract with the supplier that once agreed to by the supplier will be signed by General Director on behave of the SADO.**

**For contracted suppliers, prices or price structure must be circulated to the finance department and to program managers. This allows a check between the agreed pricing and actual invoice pricing.**

**Ensuring the use of venders who are reliable, competent to deliver and independent of relation toSADOor its staff is essential to a good to procurement system. Use of standard vendor list aids in ensuring transparency in the procurement process and minimize the conflict of interest situations.**

1. **An acceptable vender list should be developed and maintained.**
2. **Hs list should include the name of the vender and what type of goods and services it can provide.**
3. **Those developing the list should include venders, based on information on reliability obtained from other organizations that have used the vender, from published material and from other employees who are familiar with the vendor.**
4. **At least three vendors for each type of good or service purchased should be included in the list. When fewer than three reliable vendors are identified, the General director and Finance Controller should confirm that, in fact, fewer than three reliable vendors exist for a given type of procurement and documents this confirmation in a memo.**
5. **The vendors list should be periodically (at least annually) revised based on formal feedback that the procurement department obtains from other employees on the quality of procurement from given vendor. The general director or the finance controller should review the feedback to determine whether the feedback has, in fact, been incorporated into revising lit.**
6. **Access to making change to vendor list should be restricted to those employees assigned the responsibility of developing and maintaining the list.**
7. **Those employees who solicit bids should not be involved in developing or maintaining the vendor list or otherwise have access to making changes in it.**
8. **The employee assigned to establish and maintain the approved vender list should not be the same employee who solicit bids or who select the winning bidder.**

**Purchasing Process**

1. **A purchase request form, signed by requestor and approved by her or his supervisor or next higher-level employee with the sufficient authority to approve, must be prepared for all procurement over $500 or that will be undertaken by logistics.**
2. **The employee approving the request must ascertain that sufficient funds remain in the budget to make the procurement (this is normally double checked when the PR passed finance for review) that the procurement is necessary to achieve SADO's objectives and that the procurement complies with the donor regulations or terms of the grant agreement. Typically, donor compliance items are sourcing and prior approval.**
3. **The employee initiating the purchase request cannot also approve the request.**
4. **Before executing a procurement transaction, procurement personnel must determine whether those signing the requisition form have sufficient authority according to established authorization list**
5. **Procurement personnel must solicit at least three written independent bids for procurement above $2,500. Bid solicitations should include a detailed description of the items, particular specifications, quantity required delivery date.**
6. **The person soliciting bids (over $5,500) should not also approve the vendor's selection.**
7. **Selected bids are required for procurement over $20,000 (some exceptional purchases may apply). Venders should be selected in the basis of value to SADO**
8. **Greater than $75,000- open, sealed-bid tender with HQ Procurement.**
9. **A bid analysis (BA) will be completed for all procurement requiring bids. The BA must document clearly the reason for selection of the vendor and should be signed by an authorized employee as evidence of review and approval.**
10. **Staff should be discouraged from making purchases themselves. The procurement unit should purchase as many items as possible and all item s over $500.**
11. **Centralized purchasing and blanket purchase orders of office suppliers, spare parts etc. are highly encouraged in order to take advantage or quantity discounts from venders.**
12. **It is responsibility of Finance to verify all purchase requests for coding and available funding.**

**Procurement personnel**

**Procurement personnel and any other personnel involved in the vender selectionprocess are prohibited from receiving anything of value from venders or potential venders.**

**Procurement personnel are required to sign `conflict of interest' statements which state that neither they nor their immediate family members have any equity in any of the vendors awarded purchase contracts or would stand to personally benefit from awarding contract to a given vendor.**

**Commitment Tracking**

* **SADO's financial system currently does not track commitments. As such alternative system to track outstanding purchase order and subcontracts should be implemented.**
* **As part of approval new purchases, outstanding commitment must be considered to avoid over expenditures on the Budgets.**

**SADO Controlled Assets, Inventory and property**

**Assets are vehicles, generators and other equipment that re expected to perform over a number of years. There are different acquisition and reporting requirements for different donors.**

**Property covers all durable items that the program purchases for its daily administration. Office and domestic furniture, water fountains, fans etc. fall into this category.**

**Inventory is generally consumable items that are stored until use or distribution.**

**Much of SADO's funds are converted into property of one sort or another. Also, property is not as liquid as cash, it typically is portable enough to be misappropriated.**

* **The major risk associated with property is undetected misappropriation**
* **Other risks include distribution to beneficiaries without adequate supporting documentation and inadequate maintenance.**

**SADO Policy requires that all equipment or other property with a value of $250 or more to be controlled as property the general director may choose to reduce this limit.**

**Required Forms**

* **Receiving Report- Delivery Report**
* **Requisition (store release form)**
* **Insurance**
* **Asserts register**
* **Warehouse register**
* **Property inventory list**
* **Certificate of disposal**
* **Waybill/ delivery**
* **Equipment maintenance logs**
* **Vehicle logs**

**Certificate of Disposal**

**When property is considered unusable or is being donated, a certificated of disposal must be prepared.**

* **General Director must approve all deposals.**
* **Member of staff other than the custodian, preferably someone from finance department should witness the disposal of the asset: they must sign and date the disposal form.**
* **A copy of the disposal form should be kept at the Headquarter office.**

**When a property is donated it must be clearly indicated on the disposal form that the asset will continue to be used for humanitarian purposes, will not be used for commercial purposes and is not for resale. The recipient must sign the form stating that they agree with these conditions.**

**Computer &Communication Equipment**

**The major risks with computer and communication equipment are:**

* **Theft or**
* **Breaks due to misuse.**
* **Not accounting and collecting reimbursement for personnel use of phones.**

**to minimize these risks country offices should ensure:**

1. **All equipment is clearly marked with SADO asset tags.**
2. **Equipments listed on the country’s assets register.**
3. **Specific people in administration or logistic are assigned responsibility for new users on how to use the equipment properly. (Including use of power/surge protectors, storage, and routine maintenance.)**
4. **Unless held on stock, portable equipment (radios and computers) must be assigned to specific personnel who are held responsible for the equipment.**
5. **Regular checks are done to confirm equipment listed on the assets register is in the possession of the person it was assigned to.**
6. **SADO has a policy on personal calls, which include the process to ensure SADO is reimbursed for these costs. Appropriate control over access to long distance lines and a system for tracking calls to be implemented.**

**Vehicle usage & Fuel**

**The major risks associated with vehicle usage are:**

* **not accounting for and reimbursing donor for personal use of the vehicle of vehicles when such reimbursement is required , and**
* **Loss due to inadequate maintenance.**

**The major risk associated with fuel is undetected misappropriation.**

**Vehicle use**

**A policy for regarding vehicle use should be established. The policy should prohibit the use of any vehicle for personal use without appropriate compensation to the donors funding the vehicle, then the donor such USAID, requires reimbursement. Paying a fee based on distance probably most efficiently effect appropriate compensation.**

**This policy should also prohibit the use of vehicles other than on projects having funded the vehicle, without appropriate compensation.**

**In order to document compliance with the vehicle use policy, the following procedures should be adopted:**

1. **A log sheet for each vehicle should be maintained. This log sheet should be containing an accounting for all mileage of the vehicle by describing beginning the odometer reading and ending odometer reading of each use of the vehicle, the purpose of each vehicle use, and the projects each us applied to.**
2. **Periodically log sheet should be reviewed by each project manager for reasonableness and, if the usage on a given project is reasonable, the project manager should sign the logbook to document her/his concurrence reasonableness.**
3. **Someone other than the users of the vehicle should periodically determine that the ending odometer reading of the last use equals the actual odometer reading of the vehicle and that all usage since the pervious odometer reading has been accounting for as describe above. Additionally, this person should determine the reasonableness of the fuel consumption by calculating the fuel mileage personnel vehicle and comparing the mileage rates among vehicles to identify any that are unreasonably low.**

**Fuel Coupons**

**Coupons should be treated as cash for control purposes.**

1. **Access to fuel coupons should be restricted to an established custodian, such as the cashier, and his/her designee.**
2. **Fuel coupons should be issued only on the properly approved requisition form. The requisition form should contain the name of the Requisitioned person, the projects for which the fuel is being requisitioned and an authorizing signature.**
3. **As with petty cash, there should be periodic or surprise counts of the fuel coupons on hand and comparison to the amount that should be on hand, based on supporting documents. Any differences between the amount on hand and then amount that should be on hand should be reported to field coordinator for follow-up action.**

**Advances**

**The risks associated with advances are those not liquidated in a timely manner and their liquidation is not based on proper documentation.**

**Advances are amounts of funds provided to employees so that they can adequately pay for business expenses. The two types of advances are project advances and employee advances. Project advances are provided to a given employee for project expenses, typically when cash is not readily available where the disbursements are ultimately made. The person receiving the advance liquidates the advance by providing receipts in the amount of advance and /or repaying in the original currency received. Employee advances are typically for travel purposes in this case, the advance is liquidated by submission of a travel expense report, with supporting documentation. In other cases, the advance is liquidated by periodic repayments of part or the entire advance amount by the employee.**

**Procedures to ensure adequate control would include:**

1. **A policy should be established that precludes an employee from obtaining an advance if he/she has an un-liquidatedadvance outstanding, or that places a limit on the total amount of advances that can be outstanding to a given employee.**
2. **The finance controller periodically reviews that property of the credit entries to advances by comparingthe amount of each of the credits made during a certain period with properly prepared supporting documentation. Such as cash receipt form, travel expense report or other types of receipt and invoices.**
3. **The finance controller should review the list of advances outstanding, monthly, in order to identify any advances outstanding for more than 30 days. Such advances should be withheld from the employee's salaries.**
4. **Salary advance for national staff should only be given in emergency situations and must be collected from the next pay period. Collecting beyond pay period are loans. SADO does not provide for staff loans. Whatever the case.**