

**-SAMPLE-**

# **NGO FIELD OFFICE FINANCE MANUAL**

**ABC Services**

**Date**

Date

Country Directors  
Finance Managers  
ABC Services

ABC Services' success vitally depends on its ability to manage and safeguard the resources, governmental and private donors entrust to us.

Central to this goal is a sound structure of financial management and control, and making wise use of these monies.

This manual describes policies and a process for ensuring the effective and efficient uses of these funds in the diverse settings we operate. Where guidance was deemed useful, it is also provided herein. These practices should be observed in the day-to-day operation of your programs.

I look to your review, acceptance and application of this material in making ABC Services' programs successful for the beneficiaries we serve. If you have any questions regarding the contents of this manual, please contact our Vice President-Finance or me.

Sincerely,

Name  
President

# **NGO FIELD OFFICE FINANCE MANUAL**

## **ABC Services**

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### **IMPORTANCE OF FINANCIAL ACCOUNTABILITY**

Sound financial management in ABC Services' Field Offices is critical to the effective, efficient use of its resources. The funds granted to ABC Services are entrusted to us by donors, and especially by the U.S. Agency for International Development (USAID), for use on behalf of beneficiaries/participants.

The ability to provide accurate, complete and timely financial information enables ABC Services to comply with the rules and regulations of its donor government and regulatory agencies, their grant reporting requirements, as well as adhere to generally accepted accounting principles. Accurate and timely financial information also assists in decision-making and enhances our ability to attract funds from our grantors.

The policies and procedures contained in this manual are designed to provide ABC Services' Field Offices with the tools needed to effectively manage their financial resources. The staff guidance in this manual is to be used in connection with other policies and procedures as promulgated by ABC Services.

### **FINANCIAL RESPONSIBILITIES OF ABC SERVICES FIELD OFFICE STAFF**

#### **General Responsibilities**

##### **Corporate Policy on Business Conduct and Code of Conduct**

It is ABC Services' policy that all staff, consultants, subcontractors and subgrantees conduct our activities morally, ethically, and in the spirit of public accountability and transparency, and in conformity with applicable laws and regulations and practices common with responsible corporations and non-government organizations.

Specifically, this policy explicitly provides that:

1. No funds or assets will be used for any unlawful or improper purpose.
2. No contributions will be made for political purposes from ABC Services funds in the United States or in any country, even in countries where such contributions may be legal.
3. Gratuities, business entertainment, meals and gifts which are both lawful and customary may be permissible, but may not be allowable. However, no payments, gratuities, or gifts will be made, directly or indirectly, to any official or employee or other Government or any Government agency.
4. Financial data required to be submitted to donors, including governments, must be accurate, complete and current and prepared in accordance with applicable grant requirements, where appropriate.
5. No payments will be solicited or received by an employee or relative of an employee from a vendor or subgrantee or prospective vendor or subgrantee.
6. Payments to agents, brokers or middlepersons may be made where required in the normal course of business to secure goods and services for ABC Services, taking care that such payments are in line with prevailing practice. Agents' compensation must be reasonable in relation to the services performed and will not exceed the normal rate for transactions of a similar nature and size in the particular location.
7. All financial transactions will be accounted for accurately and properly. No undisclosed or unrecorded funds or assets will be established or maintained for any purpose.
8. Payments/cash transactions will be made only into and from ABC Services Headquarters-approved bank accounts.
9. No borrowings can be made from local lending institutions or individuals without prior written approval of ABC Services' Vice President Finance/Chief Operating Officer/Board of Directors.
10. Personal loans or advances cannot be made to staff under any circumstances, other than education, rent or travel advances, which are to be accounted for and liquidated within 30 days of making such travel advances.

11. Compensation advances are permissible, upon approval of the ABC Services Vice President Finance, where staff business travel prohibits the normal receipt of such funds, or in other exceptional circumstances approved by the Vice President Finance, who will act upon the written recommendation of the Country Director, and the Field Office Finance Manager. All such loans/advances must be in writing and provide for prompt payment.
12. Negotiations for future employment of present or former government officials or employees who have participated in any award with ABC Services shall be conducted in accordance with all applicable laws and regulations and only after a written recusal from present responsibilities with respect to ABC Services has been obtained.

Inquiries concerning possible violations of this policy and any Government procurement laws are to be brought to the attention of ABC Services' Legal Counsel. Questions of interpretation of these rules are to be referred to ABC Services' Legal Counsel. Violation of this policy may lead to disciplinary action and may be cause for discharge and legal action.

Country Directors are responsible for disseminating this policy to all employees in their respective organizations and for instituting and maintaining a program to ensure that employees understand ABC Services' standards of ethical conduct. They are also responsible for informing employees of the importance of reporting any suspected violations of this policy to ABC Services' management, without fear of reprisal.

ABC Services requires its employees to abide by the foregoing standards of ethical behavior in their dealings with its suppliers, consultants, subgrantees, subcontractors, and governments. They are also required to report any violations of these standards.

Annually, each ABC Services employee with a responsibility of placing, paying or supervising any supplier, consultant, subgrantee or subcontractor will be required to sign and understand the following Code of Conduct:

"No employee, officer, or agent shall participate in the selection, award, or administration of a contract or grant if a real or apparent conflict of interest would be involved. Such a conflict would arise when the employee, officer, or agent, any member of her or his immediate family, her or his partner, or an organization which employees or is about to employ any of the parties indicated herein, has a financial or other interest in the organization selected for an award. The officers, employees, and agents of ABC Services shall neither solicit nor accept gratuities, favors, or anything of monetary value from contractors, or parties to subagreements. However, this policy does not apply to situations in which the financial interest is not substantial or the gift is an unsolicited item of under \$25. ABC Services' standards of conduct provide for disciplinary actions to be

applied for violations of these standards by officers, employees, consultants, or agents of ABC Services."

This signed Code of Conduct which shall be completed annually is to be filed in each employee's personnel record.

### **Internal Control**

Internal accounting control consists of the plan of the organization, procedures and records to safeguard the assets and to assure the reliability of financial reporting. An effective internal structure includes a series of checks-and-balances required for the appropriate authorization and recording of transactions and ensures that access to assets is limited to authorized personnel. Each transaction should be divided into component tasks completed by different staff members in order to increase the likelihood of detecting unintentional errors and prevent misappropriation of ABC Services' assets.

As an example, the person who approves vouchers for payment should not prepare or sign checks. Staff with physical access to cash, such as the Petty Cashier, should not record the receipt or disbursement of cash. The following chart includes other examples of the appropriate segregation of duties by ABC Services' Field Offices:

<u>Person Who</u>	<u>Should Not</u>
Prepares Vouchers	Approve Vouchers
Prepares Checks	Sign Checks
Has Access to Blank Checks	Post Payments
Receives Cash	Record Cash Receipts
Prepares Bank Deposits or Records Cash Receipts	Reconcile Bank Accounts
Is Responsible for the Physical Security of Assets	Perform the Physical Inventory of Assets
Converts Currency	Makes Payments in Local Currency
Prepares Payroll	Distributes Payroll Payments
Maintains Driver Logs	Monitor Fuel Usage

Ensuring sufficient staff training and the presence of written accounting policies and procedures are also elements of sufficient internal accounting controls.

Four basic test -- completeness, validity, accuracy and maintenance -- should be consistently applied to all transactions.

### Completeness

Each element of a transaction must be documented and recorded. For example:

A cash payment to a worker requires the signature of the worker or other proof as evidence of payment.

If the petty cash register shows that 25 payments have been made, 25 petty cash receipts must be posted to the petty cash register. The 25 petty cash receipts must include appropriate documentation and the approval of an authorized individual.

### Validity

Is the disbursement made to a verifiable vendor or employee?

Is there tangible proof, such as a vendor's receipt, purchased item or report written in English or translated into English, to confirm that the item was received or the service performed?

### Accuracy

Is the amount recorded as received or disbursed correct?

Are all relevant charges recorded?

Is the transaction coded to the correct account code and funding source?

### Maintenance

After a payment has been approved for payment and recorded, it should be impossible to make changes, such as adding a zero to the amount or changing the payee name, to be made to that payment.

Close supervision by the Finance Manager and oversight by the Country Director are vital to ensure that control systems are working and that weaknesses will be identified and corrected.

## **Assignment of a Field Office's Financial Responsibilities**

The organization structure in each ABC Services Field Office will depend on the size and diversification of the programs funded. Usually, a Field Office will consist of a Country Director, one or more Program Managers, a Finance Manager, and one or more accounting clerical personnel. In some offices, there may be a procurement and logistics specialist. At any given time, one or more of these positions may be vacant, in which circumstances some of the duties outlined below will have to be shared. To the extent that a Field Office's internal accounting controls are not compromised by such a reassignment of these duties, such reassignments may be made with the approval of ABC Services' Vice President Finance.

### **Country Director's Financial Responsibilities**

A Country Director will have overall responsibility for the efficient and effective use of the Office's funds to achieving the program's objectives. This will be done in such a way as to safeguard the program's funds as well as maintaining compliance with each donor's rules and regulations.

In order to adequately oversee the financial activity of a Field Office and ensure the accuracy of financial reporting, the Country Director must have an overall knowledge and appreciation of the financial status of the Field Office and of each of its programs. This knowledge should include the following:

#### **Grant Terms and Conditions:**

- . Terms and conditions of each assigned award, as amended, and the financial and compliance restrictions contained in each award
- . Appreciate the unique aspects of USAID awards, in particular, with regard to: cost-sharing or match, reasonable allocable and allowable costs, program income, timekeeping requirements, source-origin-nationality rules, applicability of foreign taxes, etc.

#### **Budget/Expenditures:**

- . Current approved annual budget of the Field Office -- total amount and detail by funding source, including individual awards -- and the current status of spending against budget and available funds to be spent

#### **Financial Management and Accounting Practices and Procedures:**

- . Organizational assignments and responsibilities of the financial management and accounting staff

- . Location and purpose of all bank accounts
- . Currency conversion practices and minimizing exposure to loss on currency exchanges
- . Where Field Office records and blank checks are maintained, which staff has access to them, and ensure sufficient safeguards exist over such records
- . How the Office's petty cash system is managed and by whom
- . Office policy for issuing and liquidating advances

**Salaries & Wages and Travel Expense Reimbursements:**

- . How Field Office compensation levels are determined and ensuring they don't exceed the local prevailing wages, where applicable
- . Salaries of all expatriate staff and the highest paid local hires
- . Number and composition of local hires on payroll and the total monthly salaries and wages expense
- . Level of, and appropriateness of, donor-imposed restrictions on international living allowances
- . Donor-imposed restrictions on international travel and travel expense reimbursements and documentation
- . Appreciation of employment taxes imposed by the cooperating government and of ways to obtain exemptions

**Payments to Subawardees, Vendors, and Consultants:**

- . All individual purchases and procurements of over \$2,500 with subawardees, vendors and consultants ensuring competition, documentation of cost and price analysis, and flow down of applicable terms and conditions
- . Payments to local businesses will normally be made in local currency
- . Prompt payment of correct invoices and exemption from any customs and duties

**Equipment and Inventory:**

- . Number, location and tagging of all capital assets

- . Applicable source-origin-nationality or country preference requirements
- . Annual inventory of acquired and owned assets and observance of appropriate asset disposal procedures

### **Reporting Procedures:**

- . How financial transactions are recorded, by whom and how often
- . Schedule for preparing monthly and reports to ABC Services Headquarters
- . Reporting requirements of each award and staff responsibilities for reporting/compliance obligations
- . Obligations for closeout reporting upon physical completion of each award

### **Program Manager's Financial Responsibilities**

- . Detailed knowledge of each assigned award and its compliance requirements as well as the expectations of the donor's assigned technical officer
- . Authorizes each direct cost incurred on the assigned award
- . Reviews the total level and line-item expenditures and forecasts spend-down rate
- . Recommends any line-item rebudgeting of authorized funding

### **Finance Manager's Responsibilities**

- . Recruits and trains local accounting clerical personnel to adequately staff the Field Office's financial management and accounting function
- . Directs the activities of the Field Office's accounting staff ensuring the completion of all accounting activities and reporting to meet ABC Services' donor requirements
- . Coordinates the preparation and review of all periodic financial reporting
- . Ensures that all financial transactions are classified, recorded and summarized properly
- . Monitors Field Office disbursements ensuring that expenses are incurred within the approved budget and comply with any award restrictions

- . Monitors Field Office cash flow to ensure the Field Office has adequate cash on hand, but not in excess of its immediate disbursement needs, to fund program operations
- . Ensures that records are maintained for all acquired and owned assets and oversees the annual physical inventory of assets and the reconciliation with the accounting records
- . Conducts such studies as necessary to maintain the efficient and effective use of all assets, but especially any assigned vehicles
- . Prepares budgets for each Field Office grant application, modification or extension
- . Acts as liaison with program staff in the Field Office to assist in the understanding and compliance with financial policies
- . Acts as the primary liaison with Finance staff at ABC Services Headquarters

#### **Accounting Clerical Staff's Responsibilities**

- . Acts at the direction of the Field Office Finance Manager in preparing vouchers, issuing checks/EFT transfers, entering cash receipt and disbursement data into Excel, and reconciling the imprest bank account
- . Disburses funds from the Field Office's petty cash fund and prepares requests for reimbursement of the fund
- . Records all financial transactions and prepares monthly finance reports submitted to ABC Services Headquarters Finance.

### **RESPONSIBILITIES OF ABC SERVICES HEADQUARTERS FINANCE RELATED TO FIELD OFFICE FINANCIAL MANAGEMENT AND ACCOUNTING**

ABC Services Headquarters Finance is responsible to its President for the overall operation of ABC Services' financial management and accounting operations. As such, it is responsible for the efficient and effective use of its financial resources and ensuring the accuracy and completeness of its reporting to its donors and governmental taxing authorities.

ABC Services Headquarters Finance consists of \_\_ employees: the Vice President Finance, \_\_\_\_\_, and \_\_\_\_\_. As such time as peak workloads dictate, part-time or temporary employees will be retained to complete assigned accounting tasks.

As it relates to its Field Offices, ABC Services Headquarters Finance is responsible for:

### **Direction of Field Office Financial Management and Accounting**

- . Sets financial management and accounting policies and practices to be implemented by ABC Services' Field Offices
- . Supervises the Field Office accounting
- . Oversees and coordinates the operation of financial software used in ABC Services' Field Offices

### **Field Office Accounting**

- . Reviews and processes Field Office monthly finance reports and periodic requests for funds
- . Provides accurate, complete and current reporting to Field Offices on project financial results
- . Submits all required donor financial reporting including financial reporting (e.g., SF 269, 270 and 272) to USAID, Department of State, United Nations, etc.
- . Resolves technical grant accounting and compliance issues raised by ABC Services' Field Offices
- . Makes adjustments to Field Office accounting only after obtaining the concurrence of the Finance Manager
- . Provides training or assists in identifying grant accounting training resources

### **Grants Management**

- . Reviews proposed cost proposal/application budgets, indirect cost recovery, cost share or match, capital asset purchases, A-133 audit compliance, financial reporting and other key items included in all contract proposals, grant applications, contracts, grants, cooperative agreements, and grant and contract modifications
- . Provides technical information, guidance and technical assistance on grant and contract management and compliance matters for Field Office staff
- . Maintains the grant database of financial information

### **Headquarters Accounting Related to Field Office Operations**

- . Processes payroll, allowances and advances for Field Office expatriates, as applicable
- . Prepares all required income and employment tax reporting for Field Office expatriates
- . Prepares monthly and year-end financial statements and acts as liaison with ABC Services' external auditors

### **Treasury and Cash Management**

- . Monitors ABC Services' cash flow, capital outlay, and any investments
- . Processes requests for and tracks wire transfer of funds to its Field Offices
- . Processes drawdowns and transfers associated with ABC Services' awards with USAID, Department of State, etc.

### **Financial Reporting and Analysis**

- . Compiles financial information needed to prepare the annual budget
- . Prepares monthly, annual and life-of-grant Headquarters and Field Office budget vs. actual expenditure reports with associated analyses
- . Monitors financial information and prepares pipeline reports
- . Prepares and negotiates ABC Services' indirect cost rate proposal to USAID

### **Internal Audit**

- . Reviews detailed Field Office monthly reporting and supporting documentation for any unusual transactions and resolves
- . Conducts such analyses as appropriate to improve the utilization of ABC Services' personnel and capital and financial assets
- . Plans and arranges for the conduct of internal financial reviews and audits of Field Offices whenever a Country Director or Finance Manager separates, or as circumstances warrant
- . Provides support to Field Offices subject to the annual independent audit

## **CRITICAL FINANCIAL POLICIES**

### **Basis of Accounting**

For year-end financial statements preparation purposes, ABC Services will observe the accrual method of accounting. During the year, ABC Services and its Field Offices will observe the comprehensive or cash basis of accounting.

### **Field Office Signature Authorities**

Provided that the granting of this authority does not compromise a Field Office's internal accounting controls, the Country Director or Finance Manager will have the indicated signature authority to approve the following transactions with regard to:

Sign a grant application or contract proposal: Country Director has recommending authority only

Sign a grant, cooperative agreement: Country Director has authority to sign with prior approval of ABC Services' Legal Counsel

Hire:

Expatriate Staff: Country Director has recommending authority within the approved budget

National Staff: Country Director has final authority within the approved budget

Temporary Employee: Country Director has final authority within the approved budget

Consultant: Country Director has authority within the approved budget

Executing a subgrant or a subcontract: Country Director has authority within the approved budget

Entering into a Memorandum of Understanding with the Cooperating Country: Country Director has authority with concurrence of ABC Services' Legal Counsel

Approving a timesheet of Field Office staff: Country Director has final authority

Limit on making expenditures: Country Director has authority to incur expenditures approved in the budget up to \$10,000 without Headquarters approval

Granting a salary increase: Country Director has recommending authority for expatriates; final authority for National staff

Authorizing a vacation: Headquarters retains the authority to authorize vacations for Country Directors; the Country Director has final authority for other expatriates and National staff

Purchase of local currency: Country Director has final authority

Purchase of equipment: Country Director has final authority up to \$10,000 without Headquarters approval

Purchase or lease of a vehicle: Country Director has final authority up to \$10,000 without Headquarters approval, provided the purchase of the vehicle has been approved by the Contracting Officer

Vehicle use: Country Director has final authority

Taking out an insurance policy: For routine insurance (i.e., automobile insurance), Country Director has final authority

Lease of space: Country Director has final authority for lease commitments of up to \$10,000

International travel: For expatriates, approval must be obtained from ABC Services Headquarters; for National staff, the Country Director has final authority within the approved budget

Opening a bank account: Country Director has recommending authority, but ABC Services' Vice President Finance/Chief Operating Officer/Board of Trustees has final authority

Authorizing/executing a bank transfer: Country Director has final authority

Taking of capital assets inventory: Finance Manager has final authority

### **Foreign Currency Conversions and Translations**

ABC Services' Field Offices will observe the weighted-average method for tracking conversion of U.S. dollars to local currency.

### **Payment to Local Businesses**

Payments to local businesses will normally be made in local currency.

### **Approvals Over After-the-Fact Cost Adjustments**

Before an after-the-fact adjusting entry may be made to shift costs from one award to another or from direct costs to indirect costs, or vice versa, it must be approved in writing by ABC Services' Vice President Finance, if the adjusting entry is up to \$25,000, or ABC Services' Executive Director, if it is over \$25,000.

### **Allowability and Documentation of Expenditures**

All ABC Services staff, not just its managers and Finance staff, are responsible for ensuring that unallowable costs are not incurred on any of our awards. If, for factors beyond an employee's foresight or control such costs are nevertheless incurred, they will be segregated from bidding, costing and billing the applicable donor or ABC Services' indirect costs. Appropriate direct and indirect cost accounts will be maintained in ABC Services' chart of accounts to segregate and exclude from reimbursement any such costs to our donors.

Office of Management and Budget (OMB) Circular A-122, Cost Principles, which is applicable to ABC Services as a nonprofit organization, will be observed in determining which costs are unreimbursable. If in doubt, ABC Services' staff, consultants and subawardees shall err on the side of being conservative and not seek reimbursement for such costs. ABC Services' Vice President Finance is available for advice on the allowability of any questionable cost and should be consulted either before the cost is incurred or soon thereafter so as not to bill such costs.

### **Sound Procurement Practices and USAID's Source, Origin and Nationality Rules**

To the extent practicable, all subcontract, subgrant and awards to consultants above \$5,000 shall observe maximum competition. All instances of sole-source awards must be justified and approved in writing by the Country Director.

In making such awards, ABC Services will observe prevailing country preferences in accordance with the provisions of the applicable award.

### **Accountability over Use of Assets**

All capital and other assets acquired on a donor-paid award or owned by ABC Services will be used to further the objectives of its mission and programs. Assets may not be diverted to personal or after-hours use without suitable reimbursement to ABC Services and, in turn, to its applicable donor. Misappropriation of ABC Services' assets may be the grounds for either disciplinary action, dismissal and/or referral to the appropriate authorities.

### **Compliance with the Fly America Act**

To the extent that service is available, preference shall be given, to the maximum extent possible, on U.S. government-financed travel to using U.S. flag carriers or code sharing partners of U.S. flag carriers. In selecting one air carrier over another, cost may not be taken into consideration. All shipborne cargo shall use a U.S. flag vessel, unless an exception exists or a waiver has been granted.

### **Payment of U.S. and Foreign Taxes**

It is the policy of ABC Services that all its staff, consultants, vendors, subgrantees and subcontractors observe and pay all applicable Federal, state and local taxes as well as those of cooperating countries, unless an exemption exists. To the extent that an exemption exists, ABC Services will vigorously pursue the tax exemption.