

SPEAK OUT FOR ANIMALS (SOFA) Zimbabwe

SOFA ZIMBABWE FINANCIAL AND ADMINISTRATION PROCEDURES

OVERVIEW

Financial Regulations should provide the framework for the financial administration with a view to ensure that the financial operations are conducted in a sound and proper manner and in accordance to SOFAS's internal and Donor's rules and regulations. All financial decisions and decisions with financial implications should be regarded through proper financial control. As a result of the funding structure for SOFA's' project, there are multiple reporting requirements. Fundamentally, records are to be maintained in a way to accommodate both Donor reporting and SOFA's reporting.

One of the key principles underlying SOFA's work should be accountability, and within that principle the tenet of financial reporting to donors or other authorized representatives. It is SOFA's policy to maintain complete accounting records based on generally accepted accounting principles for non-profit organizations, subject to Donor guidelines. The Country Representative and Finance Manager under the technical supervision of the SOFA HQ Finance Department are responsible for carrying out this policy.

SOFA's financial management staff shall ensure maintenance of all accounting records, documents and other evidence in accordance with SOFA's accounting principles and such records/documents completely and sufficiently substantiate charges to any grant or to SOFA itself.

Finance Manager and Accountant are responsible for: preparation of monthly expenditure reports, required Donor reports, draft budget revision and realignment, bank and cash payments, various Payroll Reports. Main activities also include annual budget preparation, financial monitoring, reporting, and revisions related to the program, work plan, budget, and expenditures. All grant and contract payments should be monitored in order to ensure, that grant terms are met, that payments are accurate, and in accordance with Donor and SOFA's regulations and procedures.

Finance Manager and Accountant should directly report to Country Representative. All reports should be reviewed by Country Representative.

DELEGATION OF AUTHORITY

Only SOFA directors or managers with a delegation of authority from SOFA HQ are allowed to approve an expense, an advance, or any other cash transfer or disbursement. SOFA Zimbabwe finance staff must keep copies of the delegations of authority and ensure that disbursements are made only within the amounts authorized by the delegation of authority. If the disbursement amount exceeds the delegation of authority of the SOFA director or manager, then it must be approved by an SOFA Zimbabwe Country Representative with an appropriately higher delegation of authority or a separate delegation of authority must be requested from and provided by HQ. In addition, under no circumstances should a purchase be split to circumvent the SOFA delegation of authority requirement.

FINANCIAL DOCUMENTATION AND REPORTING

As a result of the funding structure for SOFA projects, there are multiple reporting requirements. Fundamentally, records must be maintained in a way to accommodate both (1) donor reporting and (2) SOFA reporting. All finance management staff should understand the important role each has in this reporting, since it begins with timely and accurate record keeping of day to day transactions in the field. Finance officers and managers also contribute with appropriate and timely report preparation, summarizing those transactions at regular intervals. These steps not only help SOFA meet its reporting requirements to SOFA HQ and its donors, but increases the likelihood that donors will find SOFA's programs worthy of additional support.

Reporting requirements can vary from donor to donor and even by grant within the same donor. SOFA HQ will work with SOFA Zimbabwe to assure understanding of and compliance with donor requirements specific to SOFA Zimbabwe.

All hard copies - originals of accounting records should be kept in Finance Department in the Country Representative Office, whereas, copies of financial documents should be sent to SOFA HQ on a regular monthly basis. All files should be protected with limited access only by authorized persons. All electronic copies should be kept in the protected folder with the access by finance department staff only.

Monthly reports and all accompanying documents of accounting records should be sent monthly to the HQ, while the backup should be kept on Server. Monthly reports should be sent to SOFA HQ including: Balance Sheets, Cash-flow reports, Profit and Loss by Programs, Petty cash/Bank Ledgers... Regular reviews of financial reports, subsidiary ledgers and payrolls should be performed monthly by Country Representative.

Country Petty Cash should be handled by Accountant. All Petty Cash should be stored and locked in the safe box with security code. Finance Manager and Country Representative should have the access (code) for Country Office safe box.

The responsibility of the Zimbabwe Harare Office is to keep an accurate account of all funds wired from the HQ and all expenditures. On a monthly basis, the local bank statements should be

forwarded to SOFA HQ in Harare along with supporting documentation, including copies of all necessary documents.

ACCOUNTING SOFTWARE

QuickBooks Pro 2006 (or other established software) should be used as the accounting software. QuickBooks Pro 2006, accounting software should be accessed only by Finance Department. Passwords should be created in order to protect all financial data. All other financial documents should only be accessed from the computers placed in the Finance Department.

Accountant should be responsible for regular entering all cash transactions and all bank transactions into the system. Final review of all changes/entering into QuickBooks, prior to creation of reports, should be performed by Finance Manager.

DISBURSEMENTS/PAYMENTS

In order to ensure constant follow up on budgeted expenses it is necessary to compare payment orders with actually budgeted expenses and cash flow projections.

Therefore, all expenditures should be approved by authorized personnel prior to any payments. Dual signatories might be required for Bank transfers.

All invoices related to program activities should be checked by Project Coordinator, Finance Department and Country Representative. Complete documentation regarding Payment Orders should be sent to HQ and hard copies should be stored in the Country Representative office.

- **Review of Expense forms and Supporting Documentation**

Once an expense form is signed by the employee and received with all required supporting documentation (i.e., receipts), it must be reviewed by the designated finance officer for completeness and accuracy by the finance department. This includes reviewing expenditures for allowability allocability (the expense must directly support the objectives of the project to which it is charged and is incurred within the project's period of performance) and reasonableness. During the review process, the designated finance officer shall also ensure the following is done/included:

- Calculations are accurate.
- All expenses are classified in accordance with SOFA's chart of accounts.
- All invoices and vouchers are checked prior to payment distribution to avoid double payment.
- There is adequate third party documentation or other acceptable forms to prove every purchase.
- Invoices should be matched with purchase orders to verify quality and quantity before payment.
- Bid analysis should be attached as per SOFA's Procurement policy to support reasonableness of the prices/expenses.

- Travel documentation shall indicate the name of the traveler, the dates of travel and the purpose. A travel approval signed by an authorized SOFA manager must also be attached.
- When a disbursement exceeds the delegation of authority of the approving SOFA Manager/Director, a separate delegation of authority from HQ is attached that approves the expenditure.
- All boxes on the Expense Form are completed or with “n/a” if the box is not applicable.

In addition, finance staff shall enter a voucher number. Once the review process is completed by the finance department, it shall be provided to the program manager or director with the delegation of authority for approving the designated expenses.

- **Reconciliation & Verification**

Regular payroll verification

Every payroll should be verified by finance manager prior to payment. The verification process should include:

1. Identifying and verifying all changes made to the payroll since the last payroll date. The Finance Manager should inspect properly approved and authorized documentation for any and all changes identified to ensure these have been correctly processed and that no unauthorized changes entered. Particular attention should be paid to the employee names and payment amounts.
2. Checking that all terminated employees have been deleted from the payroll or that their final pay has been adjusted to what is specified on the termination form.

PROCUREMENT

The procedures defined herein are to provide a general understanding of the minimal requirements for control of procurement.

The major risks associated with procurement are that:

1. The wrong items are purchased.
2. The correct items are purchased but at a price that is higher than necessary (either through error or through improper invoicing by vendors);
3. Items of inferior quality are delivered;
4. Purchases are made without sufficient budgeted funds;
5. Purchases are not in compliance with donor regulations or terms of the grant agreements.

Required Forms

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

- Purchase Requisition
- Standard Bid Request
- Bid Summary Worksheet – bid analysis
- Purchase Order
- Receiving Report – Certificate of delivery

Purchase Process

- A purchase requisition form, signed by requisitioner and approved by his or her supervisor or next higher level employee with sufficient authority to approve, must be prepared for all procurements.
- The employee approving the requisition must ascertain that sufficient funds remain in the budget to make the procurement, that the procurement is necessary to achieve SOFA's objectives and that the procurement complies with donor regulations or terms of the grant agreement. Typical donor compliance items are sourcing and prior approval.
- The employee initiating the purchase request should not also approve the request.
- Before executing a procurement transaction, procurement personnel must determine whether those signing the requisition form have sufficient authority according to the established Authorized Signatory List.
- Procurement personnel follow the type of competition required for the procurement threshold of the purchase. Bid solicitations should include a detailed description of the items, particular specifications, maximum cost, and quantity and required delivery date.
- A bid or quotation summary worksheet should be completed for all procurements requiring bids/quotes. The worksheet should document the reason for selection of the vendor and should be signed by an authorized employee as evidence of review and approval.
- Requisitioners should be discouraged from making purchases themselves.

Personnel assigned with procurement related duties and any other personnel involved in the vendor selection process are prohibited from receiving anything of value from vendors or potential vendors.

Control of Inventory

The term "inventory" is used in SOFA instead of "property" or "equipment". We define "inventory", as all tangible items owned. Much of SOFA's funds are converted into inventory of one sort or another. Although inventory is not as liquid as cash, it typically is portable enough to be misappropriated.

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

Required Forms

- Inventory List
- Certificate of Disposal/Loss
- Receiving Reports
- Requisition
- Issuance
- Vehicle Logs

a. Inventory List

The function of an inventory list is to track non-consumable assets with a value of USD 500 or more, their location, and the person responsible for the items.

A master inventory list should be kept at the Harare office. Each field office should have a list of assets in their location and are responsible for advising the main office any time an asset is transferred. The inventory list should include:

- Description of item
- Serial number or other identification number
- Unit cost
- Date items are received
- The donor(s), the item was purchased against
- Who the asset was issued to and it's present location
- Condition

The inventory list should be updated as new purchases are made and should be “audited” at least every six months to ensure the list is current and accurate. Any discrepancies should be immediately brought to the Country Representative's attention.

b. Certificate of Disposal

When inventory is considered unusable or is being donated, a certificate of disposal must be prepared.

- The Country Representative must authorize all disposals.
- In certain cases, donors will require their approval before the disposal of property and/or equipment. Therefore, the donor agreement under which an item was purchased must be reviewed to determine disposition requirements.
- A member of staff other than the custodian, preferably someone from the finance department should witness the disposal of the asset. This person must sign and date the disposal form.
- A copy of disposal form should be kept at the SOFA Zimbabwe office and the original is kept in the main office so the item(s) can be removed from the property.

When asset 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.

c. Receiving Goods

An employee should be assigned the responsibility of receiving all goods at each delivery location e.g. main office, field office, etc. This employee should not have access to changing the accounting records or ability to authorize transactions. He/she will typically be part of the admin unit. This employee should pick up any goods not delivered by the supplier. No employee other than those assigned should receive or pick up purchases.

The receiving unit should have a receiving report/certificate of delivery describing the date, type of item, quantity receiving, condition and serial or other identification number of the goods. The employee should count received goods and compare this to what is on the waybill. He/she should also inspect the goods for obvious damage or for their being the wrong goods. Any shortages, damages or wrong goods must be written on the transporter waybill, and the transporter signature obtained on the waybill to document his agreement. A copy of the waybill should be maintained. The receiver and the transporter should sign the report. The receiving report/certificate of delivery should be prepared in duplicate. One copy should be sent to the finance/accounting department, another to the employee maintaining the property register.

d. Requisitioning Goods

Custodians do not have the authority to requisition items under their custody.

The requisition form/certificate of delivery requires the following:

- Description of the item(s) requested
- Date the item(s) are required
- The name and signature of the requester and approval from his/her supervisor
- Where the property has been classified as prepaid the source code and project to be charged must be shown.
- In the case of equipment it must clearly state to whom the equipment is to be assigned

e. Issuance of Goods

All stored items are to be issued on the basis of an authorized requisition form. The requisition form supporting issues from the storage areas should be maintained by the storekeeper to support the entries he/she makes in the register. Goods that is to be issued “as is” to beneficiaries (e.g., seeds, tools, food, etc.) must be documented.

The quantities and destinations should be based on a distribution list approved by appropriate personnel who do not have accounting responsibility. These personnel are typically program or project personnel. The transporter and the beneficiary representatives picking up the goods should sign a receipt for the item(s) and a copy of the signed report should be returned to the issuing store to support entries to the property register.

The SOFA Personnel responsible for delivering the property must obtain the signature of an authorized recipient of such property as evidence of proper delivery.

Distribution records documenting the name of each beneficiary, their thumb print or signature indicating receipt, a description of the type and quantity of materials received and the date of receipt must be prepared and maintained for all distributions of materials to beneficiaries. Simply marking “X” on making an illegible signature is not sufficient. If a thumbprint is taken, then the name of the person giving the print should be written below the print.

Computer and Communication Equipment

The major risks with computer and communication equipment are:

- Theft
- Breakage due to misuse
- Not accounting for and collecting reimbursement for personal use of phones

To minimize the risks field offices should ensure:

- All equipment is listed on the country’s inventory list
- Whenever possible, portable equipment (notebooks and hand phones) is assigned to specific personnel who are held responsible for the equipment
- SOFA Zimbabwe offices shall ensure that SOFA is reimbursed for any personal phone calls. Appropriate controls over access to long distance lines and a system for checking calls need to be implemented by SOFA Zimbabwe offices.

Vehicle Usage and Fuel

The major risks associated with vehicle usage are:

- Not accounting for and reimbursing donors for personal use of vehicles when such reimbursement required, and
- Loss due to inadequate maintenance

Vehicle Use

Use of any vehicle for personal use is prohibited. In addition, SOFA Zimbabwe offices shall implement the following procedures:

- A logbook for each vehicle should be maintained. This logbook should contain an accounting for all mileage of the vehicle by describing the beginning odometer reading and ending odometer reading of each use of the vehicle and the purpose of each vehicle use.
- Periodically, e.g. monthly, the logbook should be reviewed by the Country Representative for reasonableness and, if the usage on a given project is reasonable.
- 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 previous odometer reading has been accounted for as described above. Additionally this person should determine the reasonableness of the fuel consumption by calculating the mileage per person per vehicle and comparing the mileage rates among vehicles to identify any that are unreasonably low.

Telephones

- Long distance telephone use can be significant expense. The risk associated with this is that calls are made that are not for legitimate business purposes and are not reimbursed to SOFA.
- Employees must be required to reimburse SOFA for personal calls.
- Only employees who in the normal course of business make long distance calls should be able to access long distance lines.
- All phones that can access long distance lines should be assigned to a particular employee who should be held responsible for the calls made on that phone. Access can be further restricted on some phone systems through the use of access codes. Each employee who is authorized to incur long distance charges is provided with a unique access code without which no call can be made.
- Employees should use long distance phone communication only when less expensive means such as faxes, couriers, e-mail, etc. would not be effective.

General Ledger Transactions

It is important that transactions be recorded on a daily basis, or as they are received. All transactions should be accounted for in US dollars. The following list of duties will help assure that all financial information is posted. It can then be used as a checklist at the end of the period before reports are prepared.

- Record all funds received by project.

- Record all transfers, deposits, advances and other funds outstanding by project.
- Record all expenditures made in the field by project-after checking for authorization, original supporting documents, and procedure compliance on disbursement of funds.
- Record all salary expenditures by project.
- Record any other financial transactions, including those that have been communicated to the field from SOFA HQ that are relevant to the SOFA Zimbabwe office operations.

PETTY CASH

SOFA Country Representative Office - Harare is responsible for managing the cash expenses for SOFA Harare staff. Due to demanding procedure for money withdrawal (the withdrawal should be announced at least one day ahead and the request should be signed by two SOFA signatories), money should be withdrawn once/twice a month after all expenses are projected/calculated for the upcoming period.

Petty cash threshold is US\$ 5,000 which should be kept for bi-monthly/monthly expenses. Cash advances and expenses for all staff should be reviewed and approved by SOFA Employee, Finance Manager, and/or direct supervisor.

Petty cash spot checks should be done on a regular monthly basis and randomly upon SOFA representative's request. All cash expenses and advances should be accompanied by relevant documents/receipts/invoices according to the SOFA's internal procedures and should regularly be recorded in QuickBooks and incorporated in monthly reports.

Note: Field offices are strongly encouraged to minimize the use of cash by utilizing the banking system through checks or transfers as much as possible. Key to doing this is the establishment of accounts with appropriate banking institutions.

STAFF ADVANCES AND ADVANCE PAYMENTS

Staff Advances

Advances are amounts of funds provided for employees so that they can adequately pay for business expenses. The risks associated with advances are that they are not liquidated in a timely manner and that their liquidation is not based on proper documentation.

Advances are liquidated by submitting an expense form with supporting documentation. Except in special circumstances, a cash advance will not be given to an employee who still has an outstanding advance.

Note the employee requesting advance is wholly and completely liable for the advance. As a result, employees shall not request an advance on behalf of another employee.

In addition, it is intended that advances will be used for immediate cash disbursements and therefore should be reconciled within seven (7) calendar days.

SOFA divides advances into 2 categories; travel advances and non-travel advances. For travel advances, the Travel Approval form which combines both the travel approval and the request for a travel advance. For all other advances, the “Advance Request” form is used.

When the amount of an advance is more than the expenses incurred by the employee, then the employee shall be required to return the difference in cash to the SOFA Finance Department at the time of reconciling the advance (i.e., submission of the expense form). When cash is returned by the employee, the finance person in charge of receiving the cash shall verify the amount provided by entering the received amount on the expense form and by signing his/her name in the box marked “Payment received by” to verify the amount is received.

Advance payments

In order to ensure that all Contract Articles are followed accordingly, all Program payments that require advance payments should be accompanied by corresponding Bank Bonds. Bank bonds should amount to the 100% of the sum that is required by the Contract/Advance payment amount. On the other hand, if the Contractual provisions are not followed by the Contractor, Bank Bond should be used as the security measure.

Following thresholds are established:

- for the procurements valued less than \$1,000 payment after delivery method will be used
- for the procurements valued above \$1,000, supplier that requires advance payment should provide Bank bonds/guarantee as described above.

SALARIES

Employment contracts with registered (full-time) staff defined monthly net salary should be paid through the local bank account. Calculation of salaries including calculation of associated fringe benefits (social, pension, transportation, medical care, child education benefits) should be prepared by Finance Department. Administrator should be responsible for review and check of all time sheets prior to supervisor’s approval and prior to any salary payment.

Agreement for Temporary Services defined payment of salaries, calculated per working day and/or working hour. Administrator should be responsible for review and check of all Time sheets prior to Program Manager/Country Representative approval.

Payrolls should be recorded by Accountant in QuickBooks Pro 2006 accounting software. Review of all entries should be performed by Finance Manager at the end of each month.

VAT and VAT REFUND

Under the special agreement between US (Donor) government and Government of Zimbabwe, it is defined that SOFA is excluded from payments of any taxes. All admin and program payments are to be performed without tax. On the other hand, invoices that included pre-paid taxes should be subject to submission of VAT Refund Claims to TAX authorities for reimbursement, and copies should be stored in SOFA files.

INTERNAL CONTROL

A system of internal controls consists of all measures used by SOFA to safeguard its resources and ensure accuracy, efficiency and reliability in 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 misuse of funds. Without an appropriate system it would not be possible to assure the reliability and integrity of the records or reports generated by a country office.

An effective control system should ensure that procedures are in place and that they meet the following objectives:

1. Adequate safeguard of the cash, property and other assets of the office.
2. Insurance that all financial transactions are appropriately documented and approved by authorized staff.
3. Funds should be expended in accordance with Donor requirements and limits.
4. Ensure that financial reporting is accurate and timely and in compliance with SOFA internal policies.

Delegation of responsibility and authority should ensure effective functioning of the office. These responsibilities and authority levels should be specifically defined and structured to reflect the knowledge and responsibility levels of the various positions within the organization structure.