ULU FINANCIAL POLICY AND PROCEDURES MANUAL

March 31, 2013

Introduction

Financial policies and procedures are designed to provide a strong set of financial controls that allow business activity to occur in an effective and efficient manner. These procedures protect the organization's resources, provide adequate control over the use of funds, ensure timely and accurate financial reporting, and serve as a training guide and desk manual for finance and administration staff.

Fiduciary responsibility for business funds ultimately rests with the CEO as assisted by the finance director/manager/office . or manager. The management committee is responsible for reviewing all activity and is available as resources to the CEO and finance and administrative staff at all times.

Finance and administration personnel should have a copy of this manual as a guide and as information.

Suggested revisions to this manual should be made to the CEO as appropriate.

GENERAL

Policy: All sections of Us Lifting Us (ULU) ethical code are hereby incorporated and made a part of these financial policies and procedures. Accordingly, finance and accounting staff and other non-financial staff members who are involved in office transactions are required to comply with the Ethical code and are subject to consequences for non-compliance and violations.

Policy: Consistent with the Ethical code, finance and accounting staff are required to conduct themselves with professional courtesy at all times in their interactions with their fellow Us Lifting Us finance staff members, non-financial staff members, Us Lifting Us consultants, vendors, members, and others with whom they interact while performing their financial and other duties on behalf of Us Lifting Us.

Policy: Finance staff members are required to comply with the financial policies and procedures in this document. However, this document cannot be expected to cover all business matters and situations that the office may encounter in the future. Accordingly, the principles and concepts of good stewardship contained herein should be used as a guide for establishing, in the future and on an-on-going basis, such additional policies and procedures that are appropriate for addressing the business matters and situations that are not covered herein. Any changes in these policies and procedures should be done in a manner that protects the best interests of Us Lifting Us and the interests of the members who contribute funds for the intended purpose of fulfilling the mission of Us Lifting Us. Please consult with the CEO when changes are made to this document.

FUNDING OF THE OFFICE

210. Bank Accounts

211. Authorization

Policy: All office bank accounts must be authorized by Us Lifting Us Board of Trustees in advance of the establishment of each account.

Procedure: The following information is required to obtain authorization from the board: (1) name and address of bank, (2) type of account, (3) proposed signatories, (4) other accounts in the Coop's name currently existing , and (5) any other additional bank applications/documents required.

212. Responsibility

Policy: The CEO is responsible for the maintenance of all bank accounts. Responsibilities include authorizing and approving all cash inflows and outflows in the accounts, reconciling the accounts on a monthly basis between the field ledger and bank statements, and reporting all activity back to ULU headquarters.

213. Signatories

Policy: Signatories on all bank accounts should include the Coop's President, Treasurer, and CEO. Additional signatories may be authorized by the Coop's Board of Trustees as appropriate.

Procedure: The processing of signatories on all Us Lifting Us bank accounts must be coordinated with the CEO. The office has the responsibility to report all the bank account information at the time of the opening of the accounts and once a year at the request of ULU Atlanta for the purpose of Us Lifting Us Atlanta's year-end processing.

214. Activity

Policy: ULU recommends that each office operate with a bank and a petty cash fund (*See section where discussed below*). Other bank accounts may be added, as necessary, if approved by the Board of Trustees.

220. Cash Receipts

221. Responsibility

Policy: All goods or monies given to the office become the legal responsibility of the CEO and ULU.

Procedure: All cash receipts, whether in currency or check, are to be deposited in the appropriate bank account as soon as possible, but no later than one week from the date received.

222. Funding From Us Lifting Us Atlanta

Policy: Us Lifting Us Atlanta (ULU) transfers business funds to its offices quarterly based on the approved spending plan and available cash on hand in the office bank account.

Procedure: Funds are wired to the office bank account.

223. Cash Log

Policy: Proper documentation must be maintained for the office's files on all monies received.

Procedures:

1. The cashier will maintain a Cash Log. The following information should be logged for each transaction:
   - Date of receipt
   - Source of funds
   - Amount
   - Purpose (e.g., revenue, reimbursement, etc.)
   - Accounting code

2. Wire funds are to be recorded in the cash log based on a bank confirmation of receipt of the funds into the bank account.

3. Cash received from liquidation of receivables, sale of assets, and revenues at the end of the work day are logged immediately upon receipt in the finance office. A written receipt is given to the person presenting the cash or check(s) with a duplicate retained by the cashier and filed.

4. All cash and checks are deposited as soon as possible but no later than one week from the date received.

5. The cashier prepares the bank deposit.

6. A different authorized staff member (business officer, driver, etc., NOT the cashier) takes the deposit to the bank and returns the deposit receipt to the finance director/manager/office . or accountant for entering the deposit on the books. The staff member gives a copy of the deposit to the cashier.

7. Deposits, including wire funds from ULU, are entered on the books by the finance director/manager/office . or accountant based on type, e.g., Revenue - _____ (type), Other Income, Advance Receivable Funds (returned), Due to Others (liability), or expense reimbursement (expense credit). Note: expense reimbursements should not be recorded as revenue.

8. The finance director/manager/office . or accountant receives the monthly bank statement from the CEO and performs the monthly reconciliation immediately upon receipt of the bank statement.

224. Funds from Sources

Policy: An office may receive funds on occasion directly from members or others. These funds are not to be used and should be held and reported to the CEO for direction.

Procedure: These funds must be separately documented in the ledger and ULU Atlanta should be notified by sending copies of all supporting documentations (letter of agreement, bank deposit slips, and receipt vouchers) regarding the revenue to the CEO in Atlanta.

225. Other Funds Received

Policy: On occasion, an organization operating in the same city as a Us Lifting Us office may request that ULU pay expenses on behalf of that organization with reimbursement made to Us Lifting Us after the fact. This practice is generally prohibited with only rare exceptions that must be approved by the CEO. An approval may only be granted in situations where the requesting organization's business efforts align or directly support Us Lifting Us's efforts, and the level of effort expended by the Coop's office is judged to be minimal.

Procedure: If approved, such funds must be maintained separately from ULU funds in a unique general ledger and recorded as a Due to Others liability. ULU will not assume responsibility for auditing the use of any such funds. These funds are to be excluded by Us Lifting Us – Atlanta as revenue and expense for financial statement reporting purposes.

CASH DISBURSEMENTS

231. Authorization

Policy: The CEO, or the CEO's designee, must authorize all expenditures and receivables. Expenditures requiring additional authorization include:

- Capital Equipment – The purchase of all capital equipment $10,000 and less must be authorized by the Associate CEO. This includes all computers, furniture, and office machines.
- Major Capital Equipment, Improvements, and Projects – All major purchases over $10,000 U.S. dollars must be authorized by the Management Committee.

232. Disbursements for Goods/Services

Policy: No payments by cash or check are made without proper supporting documentation (e.g., invoice). Invoices or other support for expenditure must indicate the date received and a clear description of the goods and/or services.

Procedures:

1. A Payment Voucher Form (*See Exhibit 20-XX*) must be completed for all cash disbursements and attached to the invoice. The finance director/manager/office . must sign the form giving authorization. This form must indicate the check number for disbursements by check or a sequential code for petty cash disbursements. The expense account being charged is to be indicated.

2. Blank check stock is maintained under the control of the CEO.

3. All disbursements must be made by check unless the vendor prohibits payment by check. Checks may only be prepared for amounts equal to invoices or other support.

4. Additional cash needed for replenishment of petty cash should be withdrawn through a separate check and using a separate Payment Voucher.

5. <u>After checks have been prepared and signed or cash has been disbursed, the invoice or other documentation should be stamped "PAID" and the date paid noted in order to prevent duplicate payments.</u>

6. Checks must be prenumbered, and a Payment Voucher must be completed for all checks, including voids. Voided checks must be filed with the checkbook.

7. Checks are to be used in sequential order. Check numbers must be entered in the financial system consistent with the check numbers on the physical checks.

8. **Vendor files** containing payment vouchers and all supporting documentation must be maintained for each transaction in a timely and orderly fashion. Each person or entity that receives a payment of cash or check from Us Lifting Us is a vendor.

   - All payments to all vendors must be filed in the vendor file system of the office.
   - Vendor files containing supporting documentation for the payments made to each vendor transaction must be maintained and organized in alphabetical order based on the vendor name within each fiscal year (January to December) and should be easily accessible. Speed of access and completeness of the payment voucher supporting documentation are essential.
   - All payment vouchers for vendors with names that begin with the letter “A” should be filed in the “A” section of the vendor files, all payment vouchers for vendors with names that start with the letter “B” should be filed in the “B” section of the vendor files, and etc. for all of the alphabets.

   - A separate file folder should be established for each vendor who receives multiple/frequent payments, and these separate files should be placed in the appropriate alphabetic section of the vendor files based on the first letter in the name of the frequent vendor.

   - A miscellaneous file folder should be established for each alphabet (Misc. A, Misc. B, Misc. C, etc.) in order to hold the payment vouchers and supporting documentation for payments made to vendors who do not receive multiple or frequent payments. Additional file folders may need to be established for a given alphabet if the number of payment vouchers in a given miscellaneous alphabet folder gets too large.

- Once the fiscal year ends, a new vendor file system for the new year's payments will need to be established in the same manner described above. The vendor files for the year that ended can be stored in boxes (while maintaining alphabetical order) and kept nearby for access when it becomes necessary to retrieve selected payments for audit and other purposes, such as planning, obtaining estimates, or performing research and analysis.

- Supporting documentation that constitutes a payment voucher consists of, but is not limited to, the following:

    1. Approved payment request stamped paid and showing check #
    2. Approved check or cash request form showing check #
    3. Vendor invoice/letter or contract stamped paid and showing check #
    4. Shipping document
    5. Email approval to pay
    6. Email request for a purchase
    7. Other documentation as needed to support the payment

- Special files should be maintained for filing of payroll expenses processed following the above standards and procedures. These files should be kept in a secure location.

Policy: No expenditures for personal items, memberships, subscriptions, or dues may be paid from business funds.

PETTY CASH

233. Petty Cash

Policy: The purpose of the petty cash fund is to cover minimal expense needs and those expense needs that have a critical timeframe. The total of the petty cash fund is $1,000 based on current needs.

To provide for effective separation of duties, the petty cash fund is to be managed and controlled by a cashier who is an administrative, i.e., a non-financial, staff member designated by the CEO. The fund should be locked and maintained in a secure location under the exclusive control of the cashier. Access to the fund is strictly controlled with only the cashier and having access to the fund. The cashier designated by the CEO must be familiar with the Coop's policies regarding petty cash disbursements and can be trained by the finance director/manager/office .

NOTE: The handover of the petty cash fund from the incumbent financial staff member to the newly designated non-financial cashier should be administered by the finance director/manager/office following the handover procedures detailed below. Any discrepancy in the fund at the time of this initial handover of the fund from the incumbent financial staff member to the new non-financial staff member who will be serving as cashier should be resolved and brought to the attention of the CEO.

Policy: No disbursements greater than the equivalent of $100 maximum should be made from the petty cash fund. If a higher petty cash fund maximum is required, a request must be presented to the finance director/manager/office . In the event that expenditures above the maximum allowable transaction amount must be made from petty cash, an explanation approved by the finance director/manager/office must accompany the transaction documentation.

Procedures:

1. The finance director/manager/office must approve all requests for petty cash transactions. Requests must be on a standard petty cash voucher form and signed by the requester. The form should state the purpose of the transaction and the amount needed. Supporting documentation may be required in order to justify the disbursement. The cashier can only disburse funds based on a signed approval from the finance director/manager/office .

2. The cashier must count all cash transactions twice (both outgoing disbursements and incoming cash returned) in order to ensure accuracy and to keep the fund balanced. The count should be done in the presence of the petty cash customer, and a receipt should be signed by the person receiving a petty cash disbursement.

3. Receipts are required to be submitted for all petty cash expenditures. If a receipt is lost or damaged, the purchaser should document the following in a memo to the finance director/manager/office : purpose of petty cash payment, amount, and reason why receipt could not be produced. The purchaser and the finance director/manager/office must sign this memo and attach it to the petty cash voucher.

4. Receipts presented as support for a petty cash transaction should be recorded accurately on the petty cash settlement spreadsheet. If receipt amounts are accurate on the settlement sheet and cash transactions are correctly counted twice to ensure accuracy, the fund will always be in balance.

5. The cashier should have exclusive control of the fund at all times. Only the cashier and the finance director/manager/office should have keys to the cash box and the petty cash safe that the finance director/manager/office will place under the control of the cashier in the office.

   In the event the cashier is away from the office on leave, the cashier should turn over the fund to a temporary cashier designated by the finance director/manager/office . The turnover process should take place before the cashier goes on leave. The turnover should consist of the preparation a settlement sheet in Excel in which the cashier and the temporary cashier sit together to perform a count of the cash on hand and a totaling of the receipts in order to ensure the total of the cash and receipts being turned over equals the amount of the established fund, $1,000. As noted above for regular petty cash transactions, cash should be counted twice when there is a turnover of the fund to an authorized person designated by the finance director/manager/office . The receipts total should be done accurately: The double counting is done in order to ensure accuracy. The temporary cashier will sign a statement of acceptance indicating agreement that the fund is in balance in terms of the cash plus receipts equaling the established amount of the fund, $1,000. In the event the fund is not in balance, the cashier will need to resolve the discrepancy: If the cashier is unable to resolve the discrepancy, the cashier should report the problem to the finance director/manager/office for assistance.

6. In the event the cashier is out sick unexpectedly and transactions are needed, it would be best to delay transactions until the cashier returns. The finance director/manager/office , at his/her discretion, may process transactions in the absence of the cashier, however, it would be best for the finance director/manager/office to process with the accountant a settlement of the fund to determine that the fund is in balance prior to processing a transaction on the fund.

7. The petty cash fund custodian should replenish the fund when the cash balance is $200 or less. Replenishment should be requested at this point in order to ensure that adequate funds are on hand to meet business needs without delaying required activities.

   The request for replenishment funds requires the presentation of a settlement statement that details the total remaining cash by denomination and a detailed listing of expenses that were paid out of the petty cash fund supported by receipts. The total of the remaining cash plus the total of the paid expenses should always equal the total of the fund. Based on the established current fund total, the settlement should reflect total cash on hand plus paid expenses totaling $1,000. The amount requested for replenishment would be the total of expenses. Each expense should be supported by receipts and/or approved memos signed by the purchaser and the finance director/manager/office as described above.

   The settlement statement along with the cash on hand and receipts should be presented to the finance director/manager/office for review and approval prior to presentation to the CEO for authorization of the replenishment payment. The cashier and the finance director/manager/office should count the cash and expenses together. As noted above, the count should be done <u>twice</u> to ensure accuracy. Once the settlement is in balance, the expenses can be entered on the books and the replenishment check payable to the cashier can be processed.

   If at any time there is a discrepancy between the total of cash and expenses in the cash box and the $1,000 established fund amount, the cashier should attempt to discover the cause of the fund overage or fund shortage and correct the discrepancy. In the event the discrepancy cannot be corrected, the finance director/manager/office will record a debit to Other Expense (in the case of a fund shortage) or a credit to Other Expense (in the case of a fund overage) in order to return the fund to the established target of CFA 500,000. A copy of the Other Expense transaction should be left in the fund along with the receipts so that the entry can be processed at the time of the next replenishment of the fund.

   The cashier will be allowed two minimal discrepancies (1% or less). As provided above, the cashier should attempt to discover the cause of any fund discrepancy and to correct the discrepancy. Provided that the discrepancy is a minimal amount (1% or less), the cashier will be issued a verbal caution on the first occurrence of a discrepancy and will be given additional training by the finance director/manager/office . A second occurrence of a minimal discrepancy of 1% or less will result in the cashier being issued a written warning that any further discrepancy will result in a sanction. A third minimal discrepancy will result in a warning letter being placed in the cashier's personnel file and a deduction from the cashier's pay in order to recover the amount of any fund shortage. If the third minimal discrepancy is a fund overage, a written warning will be placed in the cashier's personnel file, and the cashier will be relieved of the duties of cashier.

   NOTE: Cashiers in charge of the petty cash fund should avoid providing access to the funds to anyone. Because of the safeguards taken to secure the funds the policies and procedures noted above require strict control of the fund designed to protect the integrity of the entrusted resources, it is assumed by ULU that any discrepancy in the funds is the sole responsibility of the entrusted staff person. Any problems with the security of the funds or the process should be brought to the attention of the finance director/manager/office immediately.

   In the event of a major discrepancy, the CEO at his/her discretion, may take disciplinary action against any responsible cashier up to and including termination.

8. Surprise audits of the petty cash fund should be performed by the finance director/manager/office to ensure consistency and integrity.

234. Travel Receivables

Policy: Funds may be issued to employees or consultants in advance of pre-approved business travel. An advance may include funds for lodging per diem, meals and incidentals per diem, transportation (taxis, buses, trains), and other reasonable business expenses that can be anticipated. The traveler should complete a Travel Advance Request Form (see attached Exhibit 20-XXX) prior to the issuance of a travel advance.

All travel receivables must be settled and cleared within 5 business days following the completion of travel. This includes completion of the liquidation or justification of expenses (see Exhibit 20-XXX) and reimbursement to the office of any unspent funds, if applicable.

Policy: Only one advance should be outstanding to any person at any given time. Any outstanding advance must be liquidated prior to presenting a request for another advance.

Procedures:

1. The travel advance request should include a budget that presents the categories of the costs that will likely be incurred and an estimate of the cost of each category. Finance staff of the office are available to assist consultants in preparing their requests.

2. Once approved by the CEO, the advance is entered into the QuickBooks financial system and a check will be processed payable to the staff member or consultant.

236. Write off Procedure

Any uncollectible receivables that are to be written off must be approved by the CEO. This means that, before any receivables are written off, a list of these receivables along with the reason for write off must be sent for approval. This list must include the name of the person or entity that has the advance, reason for the advance, the age of the advance, the amount, and the reason for the proposed write off.

237. Salary Receivables

Policy: Salary receivables to employees are prohibited without the expressed written consent of the CEO.

Procedure: A request must be made by the CEO. If approved, the finance director/manager/office must obtain a signed repayment plan from the employee and ensure that the employee abides by the agreement. Issuance of an unauthorized salary advance subjects the finance director/manager/office to possible disciplinary action. Failure by an employee to repay a salary advance subjects the employee to salary withholding and possible disciplinary action.

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300. PAYROLL

310. Responsibility

Policy: The finance director/manager/office is responsible to know and comply with regulations regarding employment, required benefits, payroll taxes, etc. The finance director/manager/office is also required to maintain adequate payroll records for all employees in order to satisfy audit requirements and comply with employment and tax regulations. The finance director/manager/office should consult government authorities for guidance on these issues and should stay abreast of changes in regulations and requirements. If this process does not provide appropriate guidance, the finance director/manager/office should consult an employment attorney or payroll specialist for direction.

Procedure: The finance director/manager/office or designee is responsible for processing the monthly payroll and making all necessary monthly and quarterly payments and submissions to regulatory authorities for employee income taxes, social insurance, and other requirements in effect from time to time.

Factors affecting payroll such as addition of new staff, salary and allowance adjustments, and termination of staff should be addressed before preparation of payroll, and a separate record of changes to monthly salary should be maintained by the finance director/manager/office .

Accounting Entry:

Accounting entry for payroll transactions should be made as follows:

When employees are paid:

Salary expense (Gross salary)	XXX	
Benefits	XXX	
Income Tax payable		XX
Social security payable		XX
Other deduction payable		XX
Cash at Bank (net Salary)		XX

When income tax is paid to tax authorities

Income tax payable	XX	
Cash at Bank		XX

When social security are paid

Social security/Other deduction Payable	XX	
Cash at Bank		XX

320. Employee Files

Policy: Employee files are confidential and should be securely stored with access limited to the finance director/manager/office and no more than one additional designee. Employee files should generally include the following:

- Employee name
- Date of employment
- Job description
- Employment contract, if any
- Signed Ethical code
- Salary or hourly rate, authorization by CEO and date instituted
- Allowances and other entitlements, with authorization
- Pay period (weekly, monthly, etc.)
- Time cards or other pay records
- Performance reviews
- Justification for pay increases
- Date of termination, if applicable

Procedure: Employee files are maintained by the finance director/manager/office in a secure location.

330. PREPAYMENTS

Prepayments are assets of the organization and represent required obligations to pay that have been paid but not yet recognized as expenses because the benefit has not been realized. Prepaid rent and prepaid insurance are typical examples of prepayments.

All disbursements related to the prepayments are debited to the prepayment asset account and credited to the appropriate bank account. For each accounting period, a scheduled payment should be recorded/amortized stating the description, total amount paid, and period covered.

Accounting Entry:

When a prepayment is made:

Prepayment account	xxxx	
Cash at Bank		xxxx

At the end of each accounting peiod:

Appropriate Expense Account (Rent, etc.)	XXXX	
Prepayment account		XXXX

350. Prior Period Changes:

Policy: Offices should not change transactions in the prior period that has been closed. Deleting or amending transactions already submitted for official reporting is not allowed. If the CEO performs the

closing of the accounting period procedure in QuickBooks at the time the financial information is sent the member financial reporting area, this should prevent changes to prior period transactions.

Procedure: Since changing or deleting transactions entered in the prior period affects the balances already submitted to member reporting, the only way that offices can incorporate these changes should be through Journal entries in the current reporting period.

500. CAPITAL EQUIPMENT

510. Asset Purchases

Policy: ULU capitalizes all equipment and improvements > $5,000 and depreciates the item based on the expected useful life of the item. he purchase of such assets should be authorized by the CEO.

Procedure: Capital equipment included in the approved budget is purchased in coordination with the department using the equipment and the finance director/manager/office . Three bids are obtained for most items. If three bids are not possible, a justification needs to be written and included with the purchase voucher. Proforma invoices of the losing bids are to be included with the purchase voucher.

520. Capital Equipment Ledger

Policy: A record must be maintained for all assets with a cost/unit value greater than $5,000 owned by ULU. For purposes of this ledger, the term capital equipment includes all vehicles, computers, office equipment, safes, furniture, and other similar items that have a value extending more than a year. This ledger should include the following information:

- Description of item
- Serial number, if any
- Location
- Custodian
- Date purchased
- Cost
- If disposed, date and method of disposition
- If sold, proceeds received

530. Annual Physical Observation

The finance director/manager/office must perform an annual observation of items in the Fixed Asset Ledger during the month of December and record any applicable changes in the ledger. The results of the observation should be recorded in writing, signed by the finance director/manager/office , and a copy sent to the CEO.

600. CONTRACTUAL COMMITMENTS

610. Authorization

Policy: Contractual commitments of ULU are generally signed by the CEO.

620. Approval

Policy: Commitments requiring authorization must be sent to the CEO for review and approval prior to execution. The CEO of ULU should sign these commitments on behalf of ULU. Copies of all executed agreements must be sent to finance and the originals maintained in the office of the CEO.

630. Contractual Payments

An executed contract and approved vendor invoice is required to make payment to an individual or organization for services rendered under the terms of contractual arrangements. All individual services rendered to Us Lifting Us valued at greater than the equivalent of $600 U.S. dollars require a written contract.

640. Memorandum of Understanding

Policy: All Memorandum of Understanding (MOUs) should be reviewed and approved by the CEO.

700. FINANCIAL REPORTS AND RECORD KEEPING

710. Responsibility

Policy: The CEO is responsible for the accuracy and completeness of all files and records of the business. Support is provided by the finance office.

720. Cash Journals

Policy: Cash logs detailing information of cash receipts and disbursements must be kept for all bank accounts and petty cash, and must include all transactions occurring during the period.

Procedure: As provided above, cash logs must be maintained by the office. Reports available in QuickBooks can be printed and kept on file on a monthly basis.

730. Monthly Reports

Policy: The monthly financials must be finalized, analyzed, and made available to the finance director/manager/office by the 5th business day of the month following the month end so that the finance director/manager/office can meet with the CEO by the 10th business day of the month.

Procedure: The monthly bank reconciliation, bank statement, and petty cash reconciliation are sent to the finance director/manager/office by the 5th business day of the following month.

Procedure: The finance director/manager/office will send the monthly financial memo to the CEO by the 9th business day of each month. The memo is a brief narrative that must be prepared monthly discussing any significant financial transactions during the month or significant changes in the financial status of the business. Such items to be included are explanation of significant or unusual transactions, banking issues, investment transactions, significant purchases or funds, expected need of future funds, etc.

Procedure: The QuickBooks file is closed by the CEO following the monthly meeting with the finance director/manager/office and sent to the member financial reporting.

740. Compliance with Manual

Policy: The finance director/manager/office is responsible for documenting compliance with this Finance Policies and Procedures Manual on an annual basis. Each December, the finance director/manager/office will be asked to sign a statement that acknowledges compliance over the past fiscal year and accepts responsibility for complying with the manual over the next fiscal year. The finance director/manager/office is further responsible for identifying any known noncompliance with the terms set forth in the manual. Each incidence of non-compliance should be supported by a statement from the finance director/manager/office stating the related facts and the corrective action taken.

750. Chart of Accounts.

Policy: Deleting, adding, or modifying accounts or account numbers in the Chart of Accounts is not allowed, unless instruction is given by the finance director/manager/office .

Procedure: Whenever there is a need to add, delete, or modify an account in the charts of account, a formal request with the reason for the amendment should be sent to the finance director/manager/office . After the approval, the office will amend the chart of accounts as per the instruction given by the finance director/manager/office .

760. Document Security/Retention

Policy: No financial records or information may be destroyed or given to outside parties without written consent of ULU headquarters. All financial-related documents should be kept a minimum of seven years after completion of the fiscal year, or longer than seven years if government regulations require it.

800. BUDGETS

Policy: On an annual basis beginning five months prior to the beginning of the fiscal year (January 1) or as otherwise directed by the CEO, operating and captal budgets must be prepared, including all relevant expenses of the business and giving explanatory narratives of assumptions used. Expense descriptions must be modeled after ULU's Chart of Accounts.

Budgets will be approved by ULU management and will be the primary basis for transferring funds to the relevant bank accounts.

Expenditures made on behalf of the business unit from ULU headquarters, whether requested explicitly by the CEO or made independently as a decision of ULU management, will be charged against the business's budget.

Any reallocations among budget categories greater than US$5,000 or other revisions made to previously approved budgets must be approved in writing by ULU headquarters.

920. Conclusion of Contractual Obligations

All contractual obligations should be terminated prior to the formal closure of a ULU office. These obligations may include:

- Contracts with independent consultants
- Leases for business office and private residence
- Equipment leases
- Car rental arrangements
- Security contracts
- Insurance policies

Formal letters should be drafted to communicate termination in each instance. These termination letters should reference the original contract, if necessary, and should document the termination date and the current condition of the property or equipment.

Theis responsible for recovering any refundable deposits that were made upon entering leases for property and equipment. All prepaid insurance premiums for coverage subsequent to the termination date should also be recovered.

930. Termination of Employment Contracts

The CEO should notify all staff as soon as possible once the final closure date has been determined. The finance director/manager/office should also obtain a copy of the labor law from the applicable host government agency. Specific research needs to be performed related to the payment of severance as appropriate. Final severance payment amounts should be communicated to the staff in advance of the final employment date.

940. Final Invoice Payments

All final bills should be paid prior to closing an office. The finance director/manager/office should consider and anticipate invoices related to contractual arrangements, utility bills, and all other recurring bills. If a vendor's billing cycle is such that an invoice cannot be obtained and paid prior to departure, the finance director/manager/office should obtain the appropriate banking information from the vendors so that Us Lifting Us can remit payment. However, the finance director/manager/office should make all attempts to settle a bill, including going to a vendor's place of business to settle the account in person.

950. Disposition of Equipment

Us Lifting Us – Atlanta staff must first consider any legal or other requirements before determining the appropriate disposition of equipment. If title rests with ULU, there are several options:

- Retain the property if other ULU businesses can use the equipment.
- Sell the property and deliver the proceeds back to Us Lifting Us.
- Donate the property to an appropriate entity

Final disposition of all property greater than $1,000 should be pre-approved by Us Lifting Us. An inventory list of such items should be compiled and communicated to Us Lifting Us.

970. Close-out of Bank Accounts

The finance director/manager/office should establish the final date for account closure and formally communicate this date to the bank. If all outstanding checks have cleared the account by the final date, the remaining balance of funds should be wired back to Us Lifting Us. If there are checks outstanding against the account, the account must be kept open. In this case, the finance director/manager/office must provide the bank with the contact name, address, phone number, fax number, and email address of Us Lifting Us CEO. The CEO will then receive all future bank statements and will be responsible for having the account closed in a timely manner. All copies of prior bank statements and bank reconciliations must be delivered back to Us Lifting Us finance office.

SEPARATION OF DUTIES FOR EFFECTIVE CONTROL OF RESOURCES

- **Introduction**
- **Roles**
- **General Advice**
- **4 Types of Separation of Duties**
- **Tips**

INTRODUCTION

Separation of duties is one of the six key elements of a strong system of internal controls. These six elements are

1. Competent, trustworthy people with clear lines of authority and responsibility
2. Adequate separation of duties
3. Proper procedures for authorizing business transactions
4. Adequate documents and records
5. Appropriate physical controls over assets and records
6. Independent checks on performance by the CEO

"Separation of duties" means that one person's work serves as a complementary check on another's. Implied in this definition is the concept that no one person should have complete control over any transaction from initialization to completion. Having adequate segregation of duties has a major impact on ensuring that transactions are valid and properly recorded.

There are two primary reasons why separation of duties is important within every financial process.

1. **People are an integral part of every financial process.** They authorize, generate, and approve each transaction. Having different people engaged in critical positions within the process is a common, sensible business practice that ensures consistent and successful execution of the process.

2. **People have their shortcomings.** People are human which means they occasionally make mistakes. The complementary check by another individual means that there is an opportunity for someone to catch an error before a transaction is fully executed and before a decision is made based on potentially erroneous data. Sadly, a few people may be inclined to engage in fraudulent activities. They usually do so because these three elements exist:

    - Motivation – usually caused by some financial crisis that may be the result of health problems, life stress, drugs, overspending, alcohol, gambling, etc.
    - Justification – a sense that they have not been treated fairly, the employer owes them, the world owes them, etc.
    - Opportunity – knowledge or belief that a fraud can be committed and

remain undetected ("I'll never get caught") because internal controls are either not in place or inadequate.

Having adequate separation of duties reduces the 'opportunity' factor that might encourage an employee to commit fraud or to embezzle.

ROLES

Approver (Accounting function)

The person who reviews the transaction for accuracy, validity, appropriateness, and proper authorization. The approver determines if a transaction should continue to be executed. For some types of transactions, there may be more than one approver.

Authorizer (Authorization of transaction function)

The person responsible for authorizing a transaction, such as a pre-requisition, requisition, purchase order, purchasing card transaction, journal voucher, payroll adjustment, or expense refund.

Cashier (Custody of asset function)

The person who receives cash or check payments on behalf of the organization from external parties.

Check Handler (Custody of asset function)

The person who handles a check to be disbursed to a vendor or other payee.

Deposit Preparer/Reviewer (Accounting function)

The person who consolidates and reviews cash receipts from cashiers and prepares the deposit to the bank. This person does not directly collect cash and checks from external parties.

Financial Report and Analysis Preparer (Record keeping function)

The person who prepares financial reports and analysis for review by management or use by staff.

Financial System User (Accounting function)

The person responsible for entering a transaction into the financial software system or other program system or process.

Ledger Reviewer or Reconciler (Accounting function)

The person who reviews and reconciles the general ledger every month to identify errors or discrepancies and either resolves them or brings them to the attention of superiors.

GENERAL ADVICE

The general principles governing effective separation of duties can be summarized as follows:

1) Separate custody of assets from accounting.
2) Separate authorization of transactions from custody of related assets.
3) Separate duties within the accounting function.

4) Separate operational responsibility from record keeping responsibility.

It is important to point out that adhering to all these principles may be a challenge due to resource limitations, the size of the operation, or other considerations. In these cases, the risk resulting from inadequate separation of duties should be assessed to ensure that the level of exposure is acceptable to executive management. In many cases, compensating controls exist to mitigate risk such as outside sources that can confirm the validity of a transaction. In cases where resources are limited, "out of the box thinking" can deliver effective solutions. In other cases, additional resources may need to be sought out to enhance controls.

The four types of separation of duties

1. Separate custody of assets from accounting.

This is the most important type of segregation because it protects an organization from fraud. A good accounting system enables an individual to trace a transaction from beginning to end (more popularly known as "having an audit trail"). When one person has custody of the assets and the accounting records, that person has the ability to dispose of assets, such as cash, checks, inventory, or equipment, for personal gain and remain undetected by adjusting accounting records to relieve himself or herself of responsibility for the asset (put simply, "covering the trail"). Examples of inadequate separation of duties include:

- A cashier or sub-cashier who is also responsible for preparing deposits or posting accounting entries to the operating ledger.
- A person whose job is to enter invoices to the financial system and who is an approver who is also responsible for handling the distribution of vendor checks.
- A person whose job is to enter invoices to the financial system and is an approver who is also responsible for handling the receipt of ordered goods.
- An individual who distributes expense refund checks and who is also responsible for making adjustments to the accounts.
- A storeroom manager who distributes supplies and is also responsible for making adjustments to inventory records.

2. Separate authorization of transactions from custody of related assets.

Wherever possible, persons who authorize transactions should be prevented from controlling the related asset. Examples of inadequate separation of duties include:

- An invoice transaction authorizer who is also responsible for handling checks.
- A transaction authorizer of refunds who is also responsible for

distributing refund checks.

- A cashier who can also void transactions without further approval.
- A person whose job is to enter newly hired employees to the Payroll-Personnel System and who is also responsible for distributing payroll checks.

3. Separate duties within the accounting function.

One person should not be responsible for recording a transaction from inception to its posting in the ledger. This may permit unintentional errors from being detected and corrected. Examples of inadequate separation of duties include:

- A person who enters or approves transactions who is also responsible for processing journal vouchers adjusting the operating ledger.
- A person who enters or approves transactions who is also responsible for making adjustments to related subsidiary ledger records, such as accounts receivable, accounts payable, deposits, and travel advances.
- A person who enters or approves transactions who is also responsible for reviewing the operating ledger for discrepancies and budget variances.
- A deposit preparer/reviewer who is also responsible for investigating debit and credit advices received from the bank (or for investigating over/short situations reported by the cashier).

4. Separate operational responsibility from record keeping responsibility.

Having the a person responsible for entering or approving transactions or reviewing the operating ledger and also preparing financial reports and analysis introduces the risk of results being biased to show improved performance.

Tips on separation of duties

- **Training.** Separation of duties will be of little or no value if staff involved in the process do not understand what they are doing. Training and support of staff involved in the process are key elements. Staff must fully understand the importance of their role in the process.
- **Accountability.** Individuals involved in a business process must be provided with a clear description of their responsibilities in the process and what is expected of them. There must be an appropriate response to non-performance by management up to and including termination of employment. In the case of outside persons such as MOH staff who are a component on the system of controls, changes must be made
- **Financial Information System Approval Reviews.** The maintenance of FIS approval reviews is a critical element to maintaining adequate separation of duties within the authorization and accounting function. Approval reviews should be conducted periodically to ensure that there are no conflicts and that only appropriate, qualified individuals are given the ability to process transactions.
- **Qualified Back-up.** Appropriately trained/cross-trained and qualified back-up persons are critical to maintaining adequate separation of duties in the event of the absence of key staff members. Think through the system of internal controls and identify qualified back-up persons in advance so that they can perform back-up duties in the event of illness or other legitimate absences.

- **Business Process Risk Self-Assessment.** A periodic staff review of the business process that includes discussion of individual responsibilities can be very helpful in determining if the overall level of risk that exists in a process is acceptable. It may also help to identify areas where duties can be reassigned to reduce the risk of error or fraud or situations in which additional resources or controls are needed to adequately manage risk.