

# Financial and Accounting Policy and Procedures Manual

## **Purpose**

Mercy Hands' continued service depends on its ability to safeguard and manage effectively and efficiently all donor funds (including locally generated income) entrusted to it. Central to this goal is a sound structure of financial management and control to maintain both integrity and confidence.

This Manual describes the financial policies and procedures for ensuring accountability on effective and efficient use of funds. The procedures are aimed to give Management (including the Board of Directors) accurate, complete and timely financial information.

Any deviations from adhering to the procedures contained in this Manual by Mercy Hands staff should be in writing and approved by the Executive Director.

The implementation of this Manual is essential for the successful delivery of Mercy Hands' services as we 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 organizations.

The principles and suggested procedures in the Manual reflect systems currently in operation or being implemented by Mercy Hands and those expected to be adopted by its sub-partners.

This Manual has been designed to suit specifically the accounting and financial management practices at Mercy Hands, and the general principles and essential features are applicable to all resources no matter their source (e.g. subaward with another partner, or locally received funds).

This Manual is not exhaustive but provides a framework for accounting and financial procedures within the organization.

As circumstances and requirements change the manual should be reviewed and updated **annually** to take into account potential new donor regulations, tax law regulations, as well as new developments in the accountancy profession and changes in the organization.

### **Importance of Financial Accountability**

The ability to provide accurate, complete and timely financial information enables compliance with the rules and regulations of donors and other partners reporting requirements, as well as adhering to generally accepted accounting principles (GAAP). This information also assists management to plan and coordinate their programmes effectively.

The guidance in this Manual should be used in conjunction with other policies and procedures specified from respective donors.

### **Scope**

This Manual should be used across the organization to guide the handling of finance functions. It provides guidance on all financial procedures and reporting requirements.

The usefulness of any manual is in its applicability to provide guidance. As the transactions of Mercy Hands evolve, diverse and increase, this Manual must remain relevant, therefore it is critical that management ANNUALLY review and revise this manual as needed.

### **Finance and Accounting Department**

Mercy Hands has a large Finance and Accounting Department consisting of Director of Finance, 2 accountants, a cashier, an assets manager, a payroll manager, and administration and finance officers. Every program/ project has an Administration and Finance Office that reports directly to the Director of Finance as well as to the Program/ Project Manager.

### **Bank Accounts**

All bank accounts are registered in Mercy Hands' name. The department manages and maintains

two bank accounts, at Bank of Baghdad and the TBI (Trade Bank of Iraq), and a total of 19 sub-accounts. The general rule is that Mercy Hands assigns one sub-account per donor.

### **Finance and Accounting Systems**

The department uses [SAGA](#) for accounting and financial management, which was developed by [Epiconcept](#), and [Asset Manager](#) for asset management, which was developed by [Kaizen Software Solutions](#). SAGA has the feature of ensuring that the accounts cannot be manipulated after period closure.

### **Chart of Accounts and Balance Sheet**

#### **Chart of Accounts**

- Every year, in the fourth quarter, the Senior Accountant updates the Chart of Accounts and Balance Sheet by reviewing the income and expenditure of all projects and non-projects (income generation, production, consultancy, etc).
- Once exhaustive list of accounts is prepared, it should enter into Accounting Software (SAGA).
- All budget lines are coded using the Mercy Hands' chart of accounts.
- The Chart of Accounts is included in the annual audit report.

#### **Balance Sheet**

- The balance sheet includes the expenses and income of every project and the overall expenses and income of the organization.
- The balance sheet is prepared on monthly bases by the Senior Accountant, using the Iraqi Unified Accounting System.
- then it will be reviewed and approved by the Director of Finance.
- The Senior Accountant will verify the expenses and income of every project with the designated Administration and Finance Officer (AFO). The balance sheet information must match the information that the AFO has.

### **Accounts Record-keeping and Reporting**

- Mercy Hands has clear Accounting policies and recording procedures that are clearly defined in writing.
- Different project funds (income, expenditure and balance sheet items) are treated

separately – within SAGA, the accounting system.

- When required by the donor – and if possible - every project - or a group of projects under one partnership - is assigned a separate bank account.
- The Director of Finance is responsible for setting up and maintaining a filing system that ensures all documents are well-organized and easy to access.
- Project’s financial reports are prepared by the Administration and Finance Officer of the project. It is the responsibility of the Project Manager and Director of Finance to ensure the timely and proper financial reporting of projects.

### **Auditing**

As part of Mercy Hands’ accountability towards the Iraqi State, the Finance and Accounting Department endures end of fiscal year audit of all Mercy Hands’ financial statements and accounts, conducted by an external auditor. Mercy Hands pays the external auditor from its Operational Reserve. In addition to the annual audit, the Finance and Accounting Department continuously endures numerous project audits, verification visits, and organizational assessments conducted by donors and partners. To promote accountability towards donors, the department conducts on quarterly bases budget variance analysis of all externally funded projects and reports the results to the donors. For more information on auditing, refer to External and Internal Audit Policy below.

### **List of Financial and Accounting Procedures**

1. Payroll Policy and Procedures
2. Cash and Checks Handling SOP
3. Bank Statement and Petty Cash Reconciliation
4. External and Internal Audit Policy
5. Cost Allocation Policy
6. Project Banking Fees SOP
7. Internal Control Policy

## **PAYROLL POLICY AND PROCEDURES**

### **1. Responsibility**

- 1.1 The Director of Finance and Director of Human Resources are responsible and shall work together to implement these Payroll Policies and Procedures.
- 1.2 Preparing and managing payroll is the responsibility of the Human Resources Department.
- 1.3 Payroll Policies and Procedures may be revised by the Executive Director, subject to Board approval.

### **2. General Guidelines**

2. 1 Pay Period is every month. All salaries will be distributed within five working days from the last working day of the pay period.
2. 2 Salaries are paid in cash, checks, wire transfer, or e-transfer (e.g. AsiaHawala). Whenever possible, Mercy Hands shall deposit the salary electronically.
2. 3 The Payroll is prepared and managed by the HR Department and submitted to the Finance and Accounting Department for payment. The Payroll Manager prepares the payroll. S/he works under the direct supervision of the HR Director
2. 4 The HR Director archives all employee specific documents (contracts, Employment Executive Order, Status Change Executive Orders, etc.) in the employee personnel file.
2. 5 No advances on salaries or loans to employees will be made, unless under extenuating circumstances, in which case the advance must be approved and recorded by the employee's direct supervisor and the Director of Finance. If the advance is greater than 80% of their salary, the Executive Director must approve.
2. 6 Payment to all employees will be based on the approved attendance sheet. Attendance is reviewed by HR for concerns and discrepancies. Employees who are not included in the attendance sheet may not receive payment.
2. 7 Employee's salary will not be given to anyone except the employee, unless a written consent has been sent to the Director of Finance in advance of the payroll. The Director of Finance cannot accept verbal permission to give an employee's salary to another party.

2. 8 All payroll will be done on a computerized system. Currently, Mercy Hands' payroll is done using Excel.
2. 9 Payroll deductions will be made for Income Taxes, Social Security, health benefits and any other amounts required by local or Federal law.
2. 10 Payroll duties are clearly segregated. Payroll preparation is completed by HR, personnel approvals and changes are done by the Executive Director, payment is processed by Finance, record-keeping is done by both Finance and HR, and bank reconciliations are handled by Accounting. Accounting.

### **3. Procedures**

- 3.1 When a new staff member is hired, their supervisor communicates with the General Administrator regarding the details (i.e. salary, title, contract dates, employment type, location, etc.) and sends the agreement/budget the salary falls under. The General Administrator issues an Employment Executive Order to confirm the employment of the new staff. The order must be signed by the General Administrator, then Director of Finance, and finally the Executive Director. After getting the approval of the Executive Director, the General Administrator will send the original order to the HR Director and a copy of it to the Director of Finance. The Employment Executive Order must be issued before the official starting date. Once the HR Director receives the Employment Executive Order, he will create an employee personnel file for the new employee and sends the Application Form to the new employee. Based on the information included in the Employment Executive Order and the Application Form, the HR Director will issue the Employment Contract. The Employment Contract along with the Employment Executive Order are shared with the Payroll Manager who, in turn, enters the new employee in the personnel database for processing payroll.
- 3.2 When a staff member has a change to their status (i.e. salary, title, department, working status, bonus, deduction, etc.), then the requester must fill out submit the Status Change Form, have it signed by the employee, the requester, and all direct line supervisors, then submit the form to the General Administrator. The General Administrator will issue a Status Change Executive Order, sign it, and submit it to the Executive Director for approval. After getting the approval of the Executive Director, the General Administrator will send the original order to the HR Director and a copy of it to the Director of Finance. If the status change requires changing the employment contract then the HR Director will create a new

employee contract for the employee and then share the new Employment Contract along with the Status Change Executive Order with the Payroll Manager who, in turn, makes the necessary changes in the personnel database for processing payroll. This process must be completed before enacting the proposed status change.

**3.3** Any discrepancy between the Employment Contract and the Status Change Executive Order or the Employment Executive Order must be raised to and addressed by the HR Director.

**3.4** Any monetary disciplinary actions suggested by managers must be submitted to the HR Director who will in turn forward them to the Payroll Manager in order to include them in the payroll as salary deductions and submit them along with the payroll to the Executive Director for review and approval. If the salary deductions are approved by the Executive Director then the Payroll Manager will inform the General Administrator and HR Director of the approval. The General Administrator will issue the Executive Orders of the salary deductions and submit to the Executive Director for approval. Once signed by the Executive Director, the General Administrator will forward the Executive Orders to the HR Director for archiving in the employee personnel files. The General Administrator will send a copy of the Executive Orders to the referred employees.

**3.5** Once updates are confirmed, Payroll Manager reviews staff salaries and creates the payroll sheet before the end of the month. The Payroll Manager will:

- Calculate insurance and tax withholdings and ensure they comply with regulations;
- Check with responsible party(s) regarding any change in salary or position, bonuses or deductions;
- Review salaries against budget lines in grant agreements. Any amount that is not directly linked or is above the project budget amount needs to have written approval from the Executive Director to use funds directly contributed by Mercy Hands;
- Answer questions from employees about compensation, benefits, taxes and insurance deductions

**3.6** Once the payroll draft is ready, with any changes and additions highlighted, the HR Director will review and sign, and then send to the Director of Finance for review and signature. The Director of Finance will review and sign, and then send to the Executive Director for approval and signature. Finally, HR Director and Director of Finance will print and file the monthly payroll sheet in their respective records.

**3.7** Once the payroll sheet is signed by the Executive Director it will be submitted to Finance to process payments. Salaries will be distributed within five working days after the last working day of the pay period.

**3.8** Payments are made in the following way:

- Cash payments: The General Administrator, Finance Director, and Finance Officer must each sign the salary slip. One copy is provided to the employee, and one copy is filed by the Payroll Manager.
- Check: The Accounting Department prepares paychecks. Two out of three staff members authorized to handle money transfers must sign the checks to be valid. Accounting keeps a copy of the signed paycheck in their records.
- E-transfer: First, funds must be transferred from Mercy Hands account to AsiaHawala. There are four staff members authorized to handle such transfers (a Project Manager, Logistics & Security Manager, Director of Finance, and Emergency Response Director). Three are authorized for USD and three are authorized for IQD. All three authorized staff members must sign the fund transfer slip. The Finance Department receives AsiaHawala reports for MH record-keeping.
- Wire transfer: All three authorized staff members must authorize wire transfers. The Accounting Department is responsible for printing and filing these records.



## **Cash and Checks Handling**

### **Standard Operating Procedure**

#### **1. Preamble**

Cash payments, small or large, are common on a day-to-day basis within Mercy Hands. For better management and control of cash payments, Mercy Hands has developed this cash and checks handling standard operating procedure.

#### **2. Responsibility**

It is the responsibility of the Director of Finance to ensure that all Mercy Hands staff, at all levels and locations, follow these guidelines. The Director of Finance has the authority to enforce these guidelines. The Executive Director will coordinate with the Director of Finance to design appropriate monitoring and evaluation mechanisms.

**2.1. Cash Transactions:** Cash transactions are to be resorted to only for petty expenses and when /where banking facilities are not available or for security reasons. As a matter of procedure and control, the attempt should be to minimize the number of cash transactions. Maximum and minimum cash limits have been fixed as: maximum \$5,000 and minimum \$2,000. This may be increased depending on cash flow for the organization. If above \$5000 then proper justification will be recorded. As a general rule, no claim exceeding \$5,000 should be settled through cash payments. Anything over \$5,000 should invariably be by account payee checks or wire transfer only. Exceptions to this rule are allowed but reasons should be documented, and exception is authorized by the Executive Director or authorized manager.

**2.2. Segregation of duties:** Cash authorizations, processing, recording, and reconciliation functions should all be clearly segregated.

#### **2.3. Cash Verification**

**2.3.1.** The Cashier should physically verify the cash balance at the end of every day in the cash book, which is also signed by the Accountant.

**2.3.2.** This cash book has to be maintained from the beginning of the financial year. A new register has to be started at the beginning of every financial year.

- 2.3.3. An inventory of the cash balance occurs at the end of every month, and randomly every two weeks. This inventory is signed by the Cashier, the Accountant and the Director of Logistics and Security (or other members of the Executive Administration).
- 2.3.4. Any discrepancy noticed during the physical verification should be recorded and reported in writing to the Executive Director – or Head of Mission - immediately.

#### **2.4. Withdrawal of Cash from Bank:**

- 2.4.1. A member of the Board of Directors will sign a formal letter to the bank to authorize the assigning or removal of signatories on bank checks and fund transfers through the bank. The General Administrator must then issue an official letter addressed to the bank to make these changes.
- 2.4.2. A list of all authorized personnel and bank account information will be documented in an electronic register, which is kept with the Director of Finance.
- 2.4.3. The Cash Withdrawal Request form is completed and signed by the Requester, who then sends it to the Executive Director (or authorized representative) for signature. It is then provided to the Director of Finance, who confirms the cash liquidity and signs once cash is available. The form also notes who should receive the cash (i.e. Logistics Department team member).
- 2.4.4. Any authorized persons signing the checks must first review the Cash Withdrawal Request form (attached to check) to verify signatures.
- 2.4.5. The person receiving the check must sign a copy of the check noting they have received it and the date.
- 2.4.6. A Cash Receipt voucher is prepared for all cash and checks and is prepared and accounted for by the accountant on the same day.
- 2.4.7. The Cash Account and bank account must be updated after all cash transactions. These accounts are reconciled on a monthly basis by Accounting.
- 2.4.8. Every cash/bank transaction is supported by original invoice or receipt include valid supporting documents.

## **2.5. Cash Payments:**

- 2.5.1. Cash payments will be made only after preparing the Payment voucher.
- 2.5.2. All vouchers should have serial numbers.
- 2.5.3. The voucher and the check are prepared by the Accounting Department.
- 2.5.4. The person receiving the check must sign the voucher and a copy of the check noting they have received it and the date.
- 2.5.5. The number of cash payments should be reduced by using check payments whenever possible.
- 2.5.6. Documents are properly approved for payment and cancelled, i.e. stamped “PAID” upon payment.
- 2.5.7. Receipts are issued in - or translated into – English and are numbered, dated, include name of recipient/payer, reason for and individual amount of every payment, project numbers and budget lines as well as cancellation and are filed properly.

## **2.6. Advanced Payment:**

- 2.6.1. The requester fills out the Money Request Form and submits it to the Finance Department for approval. The assigned project Finance Officer must check the budget line limit and fund availability. The amount of the money requested is limited by the budget line. The Finance Director makes the final approval and checks cash liquidity.
- 2.6.2. The requester must then send to the Executive Director (or his representative) for approval. Before approving, the Executive Director (or his representative) will check with the Requester (or their supervisors) the program’s needs for the requested advance. If approved, a check will be issued by the Accounting Department to the Logistics Officer for this project.

## **2.7. Controls to be Exercised:**

- 2.7.1. The money safe must be placed in a secured room within Finance and Accounting Department.

- 2.7.2. The maximum amount of cash that can be kept in the safe is \$5000 (or equivalent in local currency).
- 2.7.3. Only the Cashier (or equivalent) has the keys to the safe.
- 2.7.4. Only the Finance and Accounting staff have keys to Finance and Accounting rooms.
- 2.7.5. Cash is handled by only one designated person, the Cashier, who is responsible for its safekeeping
- 2.7.6. Cash disbursements are allowed only during working hours. Emergency payments can be released after working hours but this has to be authorized by the Executive Director or Head of Mission.
- 2.7.7. Accounting of cash receipts/payments is done on a daily basis.
- 2.7.8. The Logistics and Security Department is responsible for setting up security measures (locks, cameras, etc.) to ensure continuous and effective security of the cash.

## **2.8. Petty Cash**

- 2.8.1. According to the need, at the beginning of the week, the Finance and Accounting Departments withdraw cash from the bank to cover the identified need.
- 2.8.2. Petty cash shall be maintained on an imprest basis. At any given time, the cash and receipts in the cash box shall total the imprest level. The level shall be maintained at \$2,000 minimum and \$5,000 maximum.
- 2.8.3. Only the Cashier will handle petty cash. Actual cash will be spot-checked and verified by the Director of Finance at least two times a month at random, and at the end of every month. The Cashier will reimburse for any discrepancies.
- 2.8.4. All requests for petty cash must be noted on an internal memo with a pre-numbered voucher attached, both signed by the Finance Director. These are prepared and signed by the Accountant.
- 2.8.5. A check to replenish the fund shall be issued when the fund is low (below \$2,000), and at the beginning of the week.
- 2.8.6. The cash and vouchers shall be kept in a fireproof locked box or safe.

**2.9. Cash Liquidation:**

- 2.9.1.** The assigned Logistician will bring the receipts from suppliers (or the final receivers of the money) to the Finance Officer. This should then be submitted to The Finance team for verification and documentation in the finance system (SAGA) before going to the Accounting Department for final liquidation.
- 2.9.2.** If not all advance money is spent then the difference will be reimbursed to the Cashier.
- 2.10.** Insurance: All Mercy Hands' personnel that handle cash equal to or more than \$25,000 must be insured.

## **Bank Statement and Petty Cash Reconciliation**

### **Introduction**

Petty cash reconciliation is where the actual cash in the safe is counted and compared to the expected balance as shown in the petty cash book. Bank statement reconciliation is where the actual bank balance as shown on the bank statement is compared to the balance on the same date in the general ledger of the same account. These two reconciliations are two of the most important internal controls in Mercy Hands.

The reconciliation process offers several advantages including:

- Detecting errors such as double payments, missed payments, calculation errors etc.
- For bank reconciliation: Tracking and adding bank fees and penalties in the books
- Spot fraudulent transactions and theft
- Keeping track of accounts payable and receivables of the business

### **Responsibilities**

It is the responsibility of the Director of Finance to ensure the timely implementation of the reconciliation of all Mercy Hands' bank and petty cash accounts.

The reconciliation reports are signed by three staff members: Preparer, Accountant, and Director of Finance.

The Executive Director, in coordination with the Director of Finance, assigns the roles of the staff involved in the reconciliation of bank statement and petty cash reconciliation. The roles are assigned based on competency and principle of segregation of duties, i.e. appropriately qualified personal prepares the reconciliations while other appropriately qualified personal reviews. In general, three staff members are involved in the bank statement reconciliation: preparer, reviewer, and supervisor; they should be independent of cash custody or record keeping responsibility of the reconciled account.

### **Time Schedule**

Petty cash and bank statement reconciliation shall be done, checked and filed at the end of every

month without fail. In addition to the scheduled reconciliation, ad hoc reconciliation can be requested – by the Director of Finance, Executive Director, or the Board - and performed at any time.

### **Bank Statement Reconciliation Procedure**

- At the end of every month, the preparer of the reconciliation will prepare three things for the reconciliation of the bank account: 1- bank statement; 2- General Ledger of the account (all records of deposits, disbursements (checks written), other bank transactions, etc.); and 3- Bank Statement Reconciliation Form (Annex 1).
- Conduct the reconciliation process:

- COMPARE THE DEPOSITS

Match the deposits in the General Ledger with those in the bank statement.

- ADJUST THE BANK STATEMENT

Adjust the balance on the bank statement to the corrected balance. For doing this you must add deposits in transit, deduct outstanding checks, and add/deduct bank errors.

- Deposits in transit are amounts that are received and recorded by Mercy Hands but are not yet recorded by the bank. They must be added to the bank statement.
- Outstanding checks are those that have been written and recorded in cash account of the business but have not yet cleared the bank account. They need to be deducted from the bank balance. This often happens when the checks are written in the last few days of the month.
- Bank errors are mistakes made by the bank while creating the bank statement. Common errors include entering an incorrect amount or omitting an amount from the bank statement. Compare the cash account's general ledger to the bank statement to spot the errors.
- ADJUST THE GENERAL LEDGER OF THE ACCOUNT  
The next step is to adjust the cash balance in the general ledger of the account. Adjust the cash balances in the account by adding interest or deducting monthly charges and overdraft fees. To do this, the preparer of the reconciliation needs to take into account the bank charges, NSF (not sufficient funds) checks and errors

in accounting.

- Bank charges are service charges and fees deducted for the bank's processing of the checking account activity. This can include monthly charges or charges from overdrawing the account. They must be deducted from the cash account. If any interest has been earned on the bank account balance, they must be added to the cash account general ledger.
- An NSF check is a check that has not been honored by the bank due to insufficient funds in the entity's bank accounts. This means that the check amount has not been deposited in the bank account and hence needs to be deducted from the cash account records.
- Errors in the cash account result in an incorrect amount being entered or an amount being omitted from the records. The correction of the error will increase or decrease the cash account in the books.
- COMPARE THE BALANCES

After adjusting the balances as per the bank and as per the books, the adjusted amounts should be the same. If they are still not equal, you will have to repeat the process of reconciliation again.

- CONCLUSION OF RECONCILIATION PROCESS
  - Once the balances are equal, the preparer of the reconciliation needs to prepare journal entries for the adjustments to the balance per books.
  - The reviewer of the conciliation will review the work of the preparer of the reconciliation and – if agrees on it – will submit it to the Director of Finance for approval.
  - Any bank statement irregularities shall immediately be reported to the Executive Director and the Treasurer of the Board.
  - Once the Director of Finance signs on the completed reconciliation form, the reviewer files the statement and reconciliation form in the Bank Reconciliation Binder in date order, sorted by bank account.

### **Petty Cash Reconciliation Procedure**



- At the end of every month, the preparer of the reconciliation will prepare two things for the reconciliation of the petty cash: 1- Petty cash book (vouchers, receipts, etc.); and 2- Petty Cash Reconciliation Form (Annex 2).
- Conduct the reconciliation process:
  - ASCERTAIN STATED PETTY CASH BALANCE  
Review Mercy Hands' Cash and Checks Handling Procedure and determine the stated petty cash balance for the fund to be reviewed and reconciled.
  - CALCULATE WITHDRAWN CASH  
Count the cash remaining in the petty cash fund and subtract it from the stated balance for the fund. The result is the amount of cash withdrawn from the fund.
  - SUMMARIZE VOUCHERS  
Add up the total expenditure listed on each petty cash voucher (receipt or advance) in the petty cash book. Subtract this amount from the calculated amount of cash withdrawn. The result should be zero. If there is a residual balance, then there is a cash overage in the fund. If there is a negative balance, there is a cash shortage in the fund.
  - INVESTIGATE VARIANCES  
Investigate any differences between the stated amount of the petty cash fund and the actual total of cash and vouchers. If the difference is unexplained, complete a voucher stating the unexplained amount, and charge it to a predetermined departmental account in the general ledger.
  - CONCLUSION OF RECONCILIATION PROCESS
    - The reviewer of the conciliation will review the work of the preparer of the reconciliation and – if agrees on it – will submit the petty cash reconciliation form to the Director of Finance for approval.
    - Any petty cash irregularities shall immediately be reported to the Executive Director and the Treasurer of the Board.
    - Once the Director of Finance signs on the completed reconciliation form, the reviewer files the completed and signed petty cash reconciliation form in the Petty Cash Reconciliation Binder in date order, sorted by petty cash account.

**ANNEX -1-  
BANK STATEMENT RECONCILIATION FORM**



**Bank Statement Reconciliation**  
MM/DD/YYYY

Account Description \_\_\_\_\_  
 GL Account Number \_\_\_\_\_  
 Bank Account Number \_\_\_\_\_

Prepared By \_\_\_\_\_ Date \_\_\_\_\_  
 Reviewed By \_\_\_\_\_ Date \_\_\_\_\_

Balance Per Bank Statement	
<b>Add:</b>	
Deposits in Transit	
Other	
<b>Subtract:</b>	
Checks Issued Not Cleared	
Other	
<b>Other:</b>	
Bank Error	
Other	
<b>Balance</b>	0,000
<b>Difference</b>	-

Balance Per General Ledger	
<b>Add:</b>	
Wire Transfers	
Credits	
Bank Interest	
<b>Subtract:</b>	
Bank Charges	
ACH Transactions	
other	
<b>Other:</b>	
Book Error	
Refund Payment	
<b>Balance</b>	0,000

Approved by: \_\_\_\_\_  
 Signature Name  
 Director of Finance Dep.

Reviewed by: \_\_\_\_\_  
 Signature Name  
 Title

Prepared by: \_\_\_\_\_  
 Signature Name  
 Title

ANNEX -2-  
PETTY CASH RECONCILIATION FORM



Petty Cash Reconciliation Form

(Only complete light blue highlighted areas. The spreadsheet will calculate for you.)

Date	<input type="text"/>
Custodian's Name	<input type="text"/>
Office/ Mission:	<input type="text"/>
Petty Cash Fund #	<input type="text"/>
Approved Petty Cash Fund Amount	<input type="text"/>
(This is the amount the Executive Director designates.)	
Total Cash on Hand	<input type="text"/>
Receipts on Hand (amount reimbursed)	<input type="text"/>
Advance(s)	<input type="text"/>
Total Reconciled Petty Cash	<u>\$ -</u>
Total Approved Petty Cash Fund Per Above	<u>\$ -</u>
Difference	0.00

Explanation of Difference -if not \$0-

<i>Custodian Name &amp; Signature</i>	<input type="text"/>
<i>Preparer of Reconciliation Name &amp; Signature</i>	<input type="text"/>
<i>Reviewer of Reconciliation Name &amp; Signature</i>	<input type="text"/>
<i>Director of Finance Name &amp; Signature</i>	<input type="text"/>

## **External and Internal Audit Policy**

### **1. PURPOSE**

The purpose of this policy is to establish the framework for external and internal audit services for Mercy Hands for Humanitarian Aid “abbreviated in here as Mercy Hands”.

### **2. DEFINITIONS**

**External Audit Services:** services intended to formulate an independent opinion as to whether Mercy Hands’ financial statements prepared by management are accurate and complete, prepared in accordance with Generally Accepted Accounting Principles and present fairly Mercy Hands’ financial position and results of its financial operations.

**External Auditor:** an independent, objective, third-party individual or organization that performs external audit services for Mercy Hands or on Mercy Hands for a donor.

**Internal Audit Services:** independent and objective services intended to evaluate risks and internal controls, check the accuracy of financial records, assess the means of safeguarding assets, evaluate operational efficiency and performance and review compliance with laws, regulations, policies and procedures.

**Internal Auditor(s):** Mercy Hands staff or independent contractors who perform internal audit services for Mercy Hands. The internal audit leader is the senior Mercy Hands employee or contractor’s representative having responsibility for providing such services.

**Finance and Audit Committee (FAC):** A Board committee headed by the Committees Chair.

### **3. SCOPE**

This policy applies to employees of Mercy Hands involved in engagement of internal and external audit services and to the external and internal auditors for Mercy Hands.

### **4. POLICY STATEMENT**

#### 4.1 External audit services

##### 4.1.1 Mercy Hands will:

- a) engage an external auditor to audit its financial statements, books and records for each fiscal year and to prepare an external auditor's report in respect thereof in accordance with appropriate national and international standards;
- b) assist the external auditor in the performance of the external audit as required and ensure that accounting records and supporting documents are available; and
- c) provide the financial statements and the external auditor's report to the Directorate of NGOs, no later than three months after the end of each fiscal year.

4.1.2 The Board will appoint an external auditor to audit the accounts of the Mercy Hands each year.

##### 4.1.3 Contracting with and selecting the external auditor,

- a) external audit services will be procured in accordance with Mercy Hands' Procurement Policy;
- b) The limit for contracting with the same external auditor is three years. Once the limit is reached, the same external auditor should not be invited to the audit tender for at least the next two years;
- c) the appointment of the external auditor will be recommended by FAC and approved by the Board.

4.1.4 When the external auditor is appointed and each year thereafter, the FAC will review

and evaluate the reasonableness of the external auditor's assertions of independence. When evaluating such independence, the FAC will:

- a) ensure that the external auditor confirms its independence in writing as defined by the rules of professional conduct or independence standards established by the external auditor's professional association; and
- b) review, assess and/or confirm assertions by the external auditor that it
  - i) maintains quality controls providing reasonable assurance that its independence is not impaired;
  - ii) adheres to a rotation policy for the lead engagement partner of no more than three years; and
  - iii) does not involve individuals in the external audit who were employed in a managerial capacity at Mercy Hands the period covered by the external auditor's report.

4.1.5 The FAC is responsible for

- a) reviewing and recommending that the Board approve the annual audit plan, audit fees and the external audit engagement letter with the external auditor;
- b) reviewing and advising the Board with respect to the planning, conduct and reporting of the annual audit;
- c) meeting with the external auditor to discuss the annual financial statements and auditor's report, including the appropriateness of accounting policies and estimates; and
- d) making recommendations to the Board regarding the external auditor's report and management letter.

4.1.6 The external auditor may be engaged to provide other services ("non-audit services") only if threats to its independence arising from performing such services, whether actual or perceived, are either insignificant or can be mitigated to acceptable levels by the application of appropriate safeguards. The provision of non-audit services must be reviewed and recommended by the FAC and approved by the Board.

4.1.7 The following types of non-audit services are incompatible with the independence of the external auditor and must be avoided unless the outcome as of such services will not be

subject to audit procedures during the annual external audit

- a) managerial functions and/or making management decisions;
- b) preparing financial statements;
- c) accounting, bookkeeping, valuation and actuarial services,
- d) internal audit services;
- e) hardware/software design and implementation services,
- f) human resource services;
- g) expert services relating to legal proceedings or investigations; and
- h) services relating to the custody of financial assets.

4.1.8 The General Administrator and Director of Finance will provide an annual report to the FAC each year, identifying any non-audit services that have been performed by the external auditor.

4.1.9 An individual who provides external audit services to Mercy Hands may not be hired by Mercy Hands in a senior financial or management capacity within a 24-month period following the period covered by the last external audit in which the individual participated.

4.1.10 External Audit of Individual Projects or Partnerships

- a) The General Administrator will serve as the focal point for external audits for individual projects or partnerships; all communications with the donor requesting the audit and the auditor will be done through the General Administrator;
- b) The General Administrator will ensure the timely response of Mercy Hands to audit requests made by the donor or the auditor; the General Administrator will lead and coordinate Mercy Hands' response to the audit and all employees involved in the audit shall follow the instructions and directives of the General Administrator;
- c) The General Administrator reports the progress and outcome of the audit to the Executive Director;
- d) The Executive Director is responsible to follow and act upon the recommendations of the External Auditor, in coordination with the Board.

## 4.2 Internal audit services

4.2.1 The FAC is responsible for

- a) reviewing and recommending that the Board approve the appointment of the internal audit leader;
- b) reviewing and recommending that the Board approve the annual internal audit plan;
- c) overseeing internal audit services and the relationship with the internal auditor; and
- d) receiving internal audit reports and making recommendations to the Board regarding such audits;
- e) reviewing and approving the internal audit charter on an annual basis; and
- f) reviewing and approving the budget for delivery of the audit plan.

4.2.2 Internal audit services may be performed Mercy Hands' employees or provided by suitably qualified third parties who have been selected in accordance with Mercy Hands' procurement policy and appointed by the FAC.

4.2.3 The internal audit leader will report to

- a) the chair of the FAC with respect to their responsibilities for internal auditing; and
- b) the General Administrator and Director of Finance with respect to administrative requirements.

4.2.4 The internal auditor is authorized to direct a broad, comprehensive program of internal auditing within Mercy Hands in accordance with an internal audit plan approved each year by the FAC.

4.2.5 The internal auditor is responsible for

- a) developing, in consultation with management and FAC, a flexible annual internal audit plan using appropriate risk-based methodologies, for review and recommendation by the FAC and approval by the Board;
- b) implementing the Board approved internal audit plan;



- c) maintaining quality assurance and improvement program regarding internal audit services;
- d) preparing detailed internal audit reports on a timely basis at the completion of each engagement for distribution to the FAC and relevant Mercy Hands staff members;
- e) following-up on identified risk exposures, control, performance and governance issues and remedial actions implemented by Mercy Hands;
- f) attending and participating in FAC meetings at the invitation of the FAC;
- g) keeping the FAC informed of emerging trends and successful practices in internal auditing;
- h) liaising with the external auditor as appropriate to provide more efficient audit coverage and better understanding of risks; and

4.2.6 Mercy Hands' staff will respond to internal audit observations on a timely basis.

Furthermore, under the direct supervision of the Executive Director, the General Administrator and Director of Finance will ensure that appropriate action is taken to address internal audit recommendations. Responses to internal audit recommendations will include a timetable for implementing corrective action or explanations for recommended actions that will not be implemented.

4.2.7 Internal audit services encompass all elements of Mercy Hands that support the achievement of its strategies, goals and plans, including its resources, systems, processes, programs, organization structure, staff, relationships with third parties and culture. However, internal audit services exclude the evaluation of services provided by Mercy Hands.

4.2.8 Internal audit services include examining, evaluating and/or monitoring

- a) the effectiveness of governance, planning and risk management processes;
- b) the effectiveness of internal controls encompassing governance, finance, operations and related systems;
- c) the quality, efficiency and effectiveness of activities, processes, programs, policies systems and human resources;

- d) processes used to measure and ensure compliance with plans, policies, laws and regulations;
- e) programs and/or activities confirming that results/outcomes are accurate and consistent with goals and objectives;
- f) significant risk exposures and internal control issues, including fraud risks; and
- g) specific activities or investigations requested by the Executive Director or FAC.

#### 4.2.9 Internal auditors must

- a) comply with professional standards established by the laws and regulations of Iraqi State and professional organizations as appropriate;
- b) possess appropriate knowledge, skills and technical proficiency essential to the performance of internal audit services;
- c) exercise due professional care when performing internal audit services;
- d) exhibit the highest standards of objectivity in gathering and evaluating information;
- e) maintain an appropriate degree of independence and not be unduly influenced by their own interests or those of others; and
- f) comply with the requirements for confidentiality as prescribed by professional standards, the Mercy Hands' policies and any contractual provisions.

4.2.10 Internal auditors must have no existing or prior managerial responsibility or authority over any activities programs, systems, procedures, records or events that are selected for audit.

4.2.11 Internal auditors will not implement internal controls, develop procedures, install systems, prepare records or engage in any other activity with Mercy Hands that may impair their independence or judgment when providing internal audit services.

4.2.12 Internal audit services will be conducted independently and free of influence from Mercy Hands staff. The internal auditor will confirm their independence on an annual basis to the FAC.

4.2.13 The FAC will review and advise the Board of any proposed changes to the

responsibilities and organizational reporting relationships relating to the provision of internal audit services at Mercy Hands.

4.2.14 Mercy Hands staff will provide internal auditors with full, free and unrestricted access to all Mercy Hands activities, programs, policies, procedures, records, property, systems and staff. Mercy Hands staff will assist internal auditors in fulfilling their responsibilities subject to the approval of the Executive Director.

## **COST ALLOCATION POLICY**

### **Purpose**

The purpose of this cost allocation Policy is to summarize the methods and procedures that MERCY HANDS uses to charge direct costs and to allocate indirect costs to various programs, activities, grants, contracts and agreements.

### **General Approach**

The general approach of MERCY HANDS in allocating costs to particular grants and contracts is as follows:

1. All direct costs are charged directly to programs, grants, activities, etc.
2. If a direct cost can be identified to more than one program (such as the time for a specific staff person) it is pro-rated as direct cost using a base most appropriate to the particular cost being prorated (in the case of staff time, the time and effort reporting).
3. All other general and administrative costs (costs that benefit all programs and cannot be identified to a specific program) are pooled and allocated to programs, grants, etc. based on the ratio of direct costs for each program or activity to total direct costs.

### **ALLOCATION PROCEDURES**

The following information summarizes the procedures used by MERCY HANDS beginning January 1, 2016.

#### **A. Compensation for Personal Services**

Daily timesheets are prepared by all MERCY HANDS employees and reflect an after-the-fact determination of the actual activity of each employee. The time sheets account for the employees' total activity during the pay period. Each individual signs their time sheet at the end of each pay period indicating that the distribution of activity on the time sheet represents a reasonable estimate of the actual work performed by the employee during the period covered by the time sheet. Salary deductions (due to administrative

punishment, as defined by MERCY HANDS Staff Rules, such as in case of unjustified absence or failure to perform duties) will be pooled and used to pay other expenses at the discretion of the Board of Directors. All expenses must be of nonprofit nature and in accordance with MERCY HANDS mission and objectives. Examples of such expenses are: overtime payment, compensatory time, direct program cost, fundraising, administrative cost unallowable by a donor, etc. MERCY HANDS will report the actual program/ project personnel salaries to the donors as well as the pooled salary deductions but MERCY HANDS will not be obliged to report to donors the expenses of the pooled salary deductions. Only staff engaged in the actual administration of the agency are considered administrative staff. Administrative personnel costs and hours and salaries including vacation, sick and holiday costs and hours are allocated to programs based on the ratio of total program hours charged to each program by program personnel. Example One at the end of this plan shows an allocation of administrative hours when the administrative time benefits all programs. Example Two at the end of this plan shows an allocation of administrative hours when the administrative time benefits only a few programs.

## B. Fringe Benefits

When applied, fringe benefits will be allocated in the same manner as salaries and wages.

## C. Travel Cost

Travel is charged directly to the program that benefits from the travel, or is allocated among programs according to the percentage of time that the staff person worked on each grant during the pay period in which the travel was taken. Administrative travel is an indirect cost allocated to the programs receiving benefits from the travel in proportion to the administrative salary allocation. ).

Administrative travel costs that benefit all programs will be allocated based on a ratio of each program's salaries to total program salaries (see Example One). Travel costs that benefit only a few programs will be allocated to those programs based on the ratio of each program's salaries to the total of those programs' salaries (see Example Two).

D. Contractual Services and Professional Services Costs (such as consultants, accounting and auditing services)

Contractual services are charged directly to the programs benefiting from the services. Professional service costs are also charged directly to the program for which the service was incurred. Contractual and professional service costs that benefit all programs will be allocated based on a ratio of each program's expenses to total program direct expenses (see Example Three). Contractual and professional services that benefit only a few programs will be allocated to those programs based on the ratio of each program's direct expenses to total of the selected program direct expenses (see Example Four)

#### E. Equipment

MERCY HANDS depreciates equipment when the initial acquisition cost exceeds \$1000. Items below \$1000 are reflected in the supplies category and expensed in the current year. Unless allowed by the donor, equipment purchases are recovered through depreciation. Depreciation costs for allowable equipment used solely by one program is charged directly to the program using the equipment. Equipment that benefits all programs will be allocated based on a ratio of each program's direct expenses to total direct expenses (see example Three). If only a few programs benefit from the equipment, then an allocation of the depreciation costs will be based on a ratio each program's direct expenses to the total of the selected programs' direct expenses (see example Four).

#### F. Office Supplies (including postage), and Printing

Office supplies and printed materials used for a specific program will be charged directly to that program. Postage expenses are charged directly to programs to the extent possible. Costs that benefit all programs will be allocated based on a ratio of each program's direct expenses to total direct expenses (see Example Three). Costs that benefit only a few programs will be allocated to those programs based on the ratio of each program's direct expenses to the total of the selected programs' direct expenses (see Example Four).

#### G. Facility Expense including Facility Maintenance and Repair

Facility expense can be allocated to each program based on a percentage of total program salaries charged to each program by program personnel. Square meter used in each program is an alternative to salaries as an allocation basis. Example Five shows how to allocate facility expenses based on square meter. In that example, total square meter used by all personnel to total useable square meter is calculated. Facilities costs related to general and administrative activities are allocated to programs in a second step based on the ratio of program square meter to total program square meter.

#### H. Insurance

Insurance needed for a particular program is charged directly to the program requiring the coverage.

#### I. Telephone/Communications

Phone cards, landline local and international calls, and Internet based audio/video

communications are charged to programs if readily identifiable. Other telephone/communications expenses that benefit more than one program will be allocated to those programs based on the ratio of each program's expenses to total program expenses as shown in Example Three. Costs that benefit only a few programs will be allocated based on a ratio of each program's expenses to the total expenses of the selected programs as shown in Example Four.

#### J. Training/Conferences/Seminars

Seminars are charged directly to one program or allocated among programs according to the percentage of time that the staff person attending the training, conference or seminar worked on each grant during the pay periods prior to the time the training conference or seminar occurred. Administrative training, conferences, or seminar expenses are allocated to each program based on the ratio of each program's personnel expenses to total program personnel expenses as shown in Example One if the entire center benefits or Example Two if only selected programs benefit.

#### K. Other Costs (including dues, licenses, fees, etc.)

Other joint costs will be allocated on a basis determined to be appropriate to the particular costs.

### Examples of Allocation Methodology

#### Example One

Administrative Expense Amount = \$10,000

Costs that benefit all programs are allocated based on a ratio of each program's personnel costs (salaries & applicable benefits) to total program personnel costs, as follows:

Grant	Personnel Costs	%	Admin. Allocated
A	\$20,000	13%	\$1,300
B	\$10,000	7%	\$700



C	\$30,000	20%	\$2,000
D	\$40,000	27%	\$2,700
E	\$50,000	33%	\$3,300
Total	\$150,000	100%	\$10,000

### Example Two

Administrative Expense Amount = \$5,000

Administrative Costs that benefit two or more specific programs, but not all programs, are allocated to those programs based on the ratio of each program's personnel costs

(salaries & applicable benefits) to the total personnel costs of the selected programs, as follows:

Grant	Personnel Costs	%	Amount Allocated
A	\$20,000	20%	\$1,000
C	\$30,000	30%	\$1,500
E	\$50,000	50%	\$2,500
Total	\$100,000	100%	\$5,000

### Example Three

Expense Amount = \$8,000

Costs that benefit all programs will be allocated based on a ratio of each program's direct expenses to total program expenses before administrative allocations as follows:

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Grant	Program Expenses	%	Admin. Allocated
A	\$120,000	18%	\$1,440
B	\$110,000	17%	\$1,360
C	\$130,000	20%	\$1,600
D	\$140,000	22%	\$1,760
E	\$150,000	23%	\$1,840
Total	\$650,000	100%	\$8,000

#### Example Four

Expense Amount = \$4,000

Costs that benefit two or more specific programs, but not all programs, are allocated to those programs based on the ratio of each program's direct expenses to the total expenses of the selected programs before administrative allocations as follows:

Grant	Personnel Costs	%	Amount Allocated
A	\$120,000	30%	\$1,200
C	\$130,000	303%	\$1,320
E	\$150,000	37%	\$1,480
Total	\$400,000	100%	\$4,000

#### Example Five

Facilities Expense Amount = \$10,000

Facilities costs are allocated based on square meter. Square meter for each program and general and administrative activity is considered in the analysis. General and

administrative facilities costs are further allocated to each program based on the square meter of each grant program to the total square meter of all grant programs. The calculation is as follows:

Grant	Square Meter	%	Amount Allocated	G&A Allocated	Total Amount Allocated
A	150	30%	\$3,000	\$340	\$3,340
B	50	10%	\$1,000	\$110	\$1,110
C	100	20%	\$2,000	\$220	\$2,220
D	100	20%	\$2,000	\$220	\$2,220
E	50	10%	\$1,000	\$110	\$1,110
G&A	50	10%	\$1,000	0	0
Total	500	100%	\$10,000	\$1,000	\$10,000

## Projects Banking Fees SOP

### Project Banking Fees

- Mercy Hands strives to execute all financial transactions, project and non-project related, electronically, through trusted banks or financial agencies.
- All financial transactions executed through banks or financial agencies incur fees, called banking fees.
- For projects funded by external donors, the banking fees will be covered by the donor and added to the budget submitted to the donor, as a separate budget line.
- If the donor cannot/ will not cover all - or some - banking fees then Mercy Hands will try to cover it from the project's overhead budget.
- If the donor cannot/ will not cover all - or some - banking fees and the project does not have overhead then Mercy Hands will consider deducting the banking fees from other budget lines, such as staff salaries or the other recipients of transferred cash. Last resort shall be to execute the financial transactions via cash.

### Project Banking Fees Calculations

Here is how banking fees for any project is calculated:

1. Inward and exchange Bank Transfer Commission: This is the fees charged by the bank for funds deposited into Mercy Hands' account at that bank. The following formula is used to calculate the banking fees for these transactions:

$$\$0.027 * \text{total budget}$$

2. Banking Fees for Disbursement of Employees' Salaries:
  - a) ASIAHAWALA e-card: If you are planning to disburse monthly staff salaries electronically (via ASIAHAWALA) use the following formula to calculate the total banking fees for these transactions:

$$\$0.01 * \text{total monthly salaries disbursed via ASIAHAWALA} * \text{no. of months}$$

The 1% is ASIAHAWALA commission for any amount of money disbursed electronically.

\* Please add 0.01% to the total amount of ASIAHAWALA transfer for inter-branch commission, as this is new rules from the bank.

- b) Direct Deposit (only Bank of Baghdad): If the employees have bank accounts at Bank of Baghdad and you are planning to transfer their monthly salaries from Mercy Hands' bank

account at Bank of Baghdad directly into the employees' bank accounts then use the following formula to calculate the total banking fees for these transactions:

$\$10 * \text{no. of employees} * \text{no. of months}$

The \$10 is the fixed bank fees for transferring any amount of money from Mercy Hands' business account into another account within Bank of Baghdad.

\* Please add 0.01% to the total amount of the transfer for inter-branch commission, as this is new rules from the bank.

- c) Direct Deposit (Other Bank ): If the employees have bank accounts at any Bank in Iraq and you are planning to transfer their monthly salaries from Mercy Hands' bank account at your bank directly into the employees' bank accounts then use the following formula to calculate the total banking fees for these transactions:

$\$20 * \text{no. of employees} * \text{no. of months}$

The \$20 is the fixed bank fees for transferring any amount of money from Mercy Hands' business account into another account within another bank inside Iraq.

3. If the fund in IQD and you transfer from our bank account to any Company in another bank, Please add 0.002 to the total amount of the transfer for inter-branch commission, as this is new rules from the bank.

## **Internal Control Policy**

### **Checks**

- The Board of Directors assigns three signatories to sign Mercy Hands' checks. Only the Board of Directors can change or replace signatories.
- Either any two of the three signatories are required to sign the checks, and in this case the Director of the Finance Department cannot be one of the three; or the three signatories have to sign and in this case the Director of Finance Department can be one of the three authorized signatories.
- The Chairman Board of Directors officially informs the banks where Mercy Hands has accounts about the names of the signatories.
- The Director of Finance Department keeps the checkbooks with him in a secured safe in the office.
- The Director of Finance Department writes the checks. An entry should be made into the accounting system.
- A copy of the check should be attached to the invoice and filed by the Director of Finance Department.

### **Deposits**

- The Director of Finance Department checks with banks for any deposits made to Mercy Hands accounts.
- The Director of Finance Department should regularly inform the Executive Director of the delayed deposits and deposits made.
- The Director of Finance Department, directly or through Finance Officers, follows up with donors to ensure timely transfer of money.

### **Authorization**

- The Executive Director can authorize Director of Finance Department to act on his/her behalf in regard to signing Mercy Hands' payment requests and financial reports.
- The Executive Director can authorize the Regional Coordinators in Iraq and Head of Missions to sign contracts, agreements, MOUs, and alike.
- The Executive Director can authorize the General Administrator to sign outgoing official

letters, staff recommendation letters, internal memos, and alike.

- The Executive Director can authorize other employees but for specific purposes and for a specific period of time.
- The Board of Directors must ratify any authorization before enacting it. **Defining roles in the organization**
- As stated in the Human Resources Manual, All employees to be recruited by the Organization will have explicit job descriptions that form part of the employment contract whether permanent or temporary contract.
- For all administrative intermediate and junior level jobs, the job descriptions will be prepared by the Department Manager together with the General Administrator and will be approved by the Executive Director.
- For all program intermediate and junior level jobs, the job descriptions will be prepared by the Program/ Project Manager together with the General Coordinator and will be approved by the Executive Director.
- For all jobs at Senior Management level the job descriptions will be made by the General Administrator (administrative departments) or the General Coordinator (programs or projects) and will be approved by the Executive Director.
- Executive Director together with the General Administrator/ General Coordinator and will be approved by the Board of Directors.
- For members of the Executive Administration (General Administrator, General Coordinator, and Director of Finance Department), the job description is written by the Executive Director and will be approved by the Board of Director.
- For the Executive Director, the job description is written and approved by the Board of Directors.
- Under the supervision of the General Administrator, the Human Resources Officer ensures that every employee has a job description and keeps a copy of the updated job description in the employee's personal file.

### **Conflict of Interest**

- No employee, officer, director, volunteer or agent of Mercy Hands shall participate in the selection, award or administration of a bid or contract if a conflict of interest is real or apparent to a reasonable person.
- Conflicts of interest may arise when any employee, officer, director, volunteer or agent of



Mercy Hands has a financial, family or any other beneficial interest in the vendor firm selected or considered for an award.

- No employee, officer, director, volunteer or agent of Mercy Hands shall do business with, award contracts to, or show favoritism toward a member of his/her immediate family, spouse's family or to any company, vendor or concern who either employs or has any relationship to a family member; or award a contract or bid which violates the spirit or intent of this procurement policy established to maximize free and open competition among qualified vendors.

### **Fixed Assets**

(Please refer to Mercy Hands Fixed Assets Policy for detailed description of assets management)

### **Monitoring**

- Every employee, Board director, or volunteer is responsible for monitoring financial and accounting practices within Mercy Hands.
- If an employee, Board director, or volunteer suspects an improper accounting or financing behavior then they are obliged to report it. Please refer to Mercy Hands Whistleblower policy for reporting mechanism and procedures.

### **Managing Cash Balance**

- To monitor all of the cash inflows and outflows in Mercy Hands bank accounts and identify fraud and other unauthorized cash transactions, the Finance Department will conduct Bank Reconciliation at the end of every month by comparing the cash activity in the accounting records to the transactions in the bank statement.

### **Agreements and Contracts with External Parties and Official Letters**

- Letters issued by the Executive Administration must be signed by the Executive Director - or someone authorized by the Executive Director- and a copy has to be sent to the Board of Directors.
- All contracts and agreements with external parties have to be signed by the Executive Director -or someone authorized by the Executive Director- and a copy has to be sent to the Board of Directors.
- All contracts, agreements, and official outgoing letters should hold the official Mercy Hands' stamp. This stamp is kept with the General Administrator.



### **Attending External Events (Meeting, Training, Conference, etc.)**

- When a staff member receives an invitation to attend an external event, they immediately inform the General Coordinator or the Assistant Director of Public Relations Department. If the Assistant Director of Public Relations Department is informed first, then she has to inform the General Coordinator of the invitation in a timely manner.
- The General Coordinator will decide who attends the event, after consulting with the invited staff member and/or their supervisor(s). The General Coordinator will then ask the Assistant Director of Public Relations Department to follow up with the assigned staff member.
- The Assistant Director of Public Relations Department will add the event to a Google calendar (the calendar shall be shared with all Mercy Hands managers).
- The Assistant Director of Public Relations Department will follow up with the assigned staff member and remind them to attend the event, at least once one day before the meeting.
- The Assistant Director of Public Relations Department will follow up with the assigned staff member after the event for minutes of meeting – or summary of the event - and share it with the General Coordinator in a timely manner.
- The Assistant Director of Public Relations Department will share all minutes of meetings with all Mercy Hands managers at the end of the month.
- The General Coordinator may request the assigned staff to give a presentation to Mercy Hands staff regarding the event.

### **Human Resources and Programs Staffing**

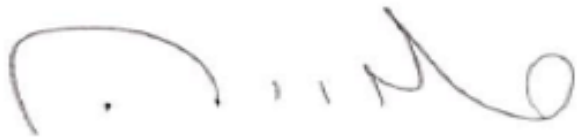
- Program Managers are responsible for officially notifying (e.g. via e-mail) the General Administrator, Director of Finance, and HR Officer of any new employment, re-employment, end of employment, or change in title or salary of an employee.
- Any new employment, re-employment, end of employment, or change in title or salary of logistics or security staff of any program (driver, guard, security officer, logistician, cleaner, etc.) must be approved by the Director of Logistics and Security Department before enacting them.
- Any new employment, re-employment, end of employment, or change in title or salary of administrative staff of any program (admin assistant, IT Officer, etc.) must be approved by the General Administrator before enacting them.

- Any new employment, re-employment, end of employment, or change in title or salary of finance staff of any program (Finance Officer, Cashier, Accountant, etc.) must be approved by the Director of Finance Department before enacting them.
- Program Managers and Managers of satellite offices are responsible for monitoring their staff's attendance and reporting it to the HR Officer.
- Bonuses, salary deductions, salary raises, promotions, demotions, warning letters, thank you letters, recommendation letters, or anything of that nature must be approved by the Executive Director before enacting or issuing them.

### **Program Implementation**

- Program Manager checks with the Finance Officer for the availability of funding, before authorizing a procurement request. If there is not enough funding but the Program Manager still wants to authorize a procurement request then the Program Manager must obtain the approval of the Director of Finance.

Updated: November 2020



Khaldoon Al-Moosawi  
Executive Director