



STANDARD OPERATING PROCEDURES

FOR ACCOUNTING (IHV – Nigeria)

Date adopted: February 28, 2007, (in practice for last three years)

Approved by: Charles Mensah (Administrative Director)

Revised/Edited on: May 10, 2011

Intended Use

This policy and procedure was developed to establish a systematic approach to accounting practices in Nigeria.

Introduction

This Standard Operating Policy and Procedure (SOPAP) were developed to ensure a strong internal control over all accounting processes. The IHV – Nigeria staff that deal with the disbursement of checks or cash transactions must understand and adhere accordingly:

Principles of the SOP– The following principles will be followed by all finance staff with IHV – Nigeria.

POLICY

Authorization and Approvals

1. All payments to vendors or services require the approval of Chief Executive Officer and / or Chief Operating Officer/Managing Director
2. Contractors / Vendors' purchase orders are authorized / approved by the Chief Executive Officer and / or Chief Operating Officer/Managing Director prior to execution.
3. It is the policy of Finance to schedule list of outstanding payments to the office of Chief Operating Officer/Managing Director for approval

4. All accounting errors when committed must be duly reported to the appropriate authority before taking any steps for correction.
5. Correction of errors must be duly approved and authorized by Finance Director or Finance Manager before appropriate journal entries are passed.
6. All journal entries must be certified okay by the accounting supervisors before posting into ACCPAC.

- **Financial Transactions**

1. All Cheque payments are to be recorded in the relevant cashbook to keep track of account balances and maintain financial records.
2. Note: All Cheque books are kept in a fire – proof safe.
3. Adequate and verifiable records of all financial transactions are to be forwarded to the Head Office. These records will be maintained by the Head Office.
4. All receipt of cheques by contractors / vendors are to be acknowledged on the Cheque Collection register. The Abuja Office will maintain copies of the cheque and payment Voucher.

- **Reconciliation and Monthly Returns**

1. Upon receipt of the monthly bank statements IHV – Nigeria will reconcile each statement to the appropriate cash book, USD or I-Class.
2. Monthly returns will be forwarded to IHV – Baltimore on monthly bases.
3. These returns will consist of original, financial transactions, bank statements (USD and I-Class), bank reconciliation, expenditure summary and transfers.

- **Additional Information**

1. These procedures are not exclusive: other procedures shall be developed and deployed as the program needs dictate.
2. Local factors and economic factors may also dictate changes to these procedures.

PROCEDURES

Cheque payment vouchers are then prepared after payment approval is received from the Administrative Director.

STANDARD OPERATING PROCEDURES FOR BANKING (IHV – Nigeria)

Date adopted: February 28, 2007, (in practice for last three years)

Approved by: Charles Mensah (Administrative Director)

Intended Use

This procedure was developed to establish a systematic approach to the banking procedures in Nigeria.

Introduction

This SOP was developed to assure a strong internal control over all banking transactions. The IHV – Nigeria staff that deal with the banks associated with IHV – Nigeria must understand and follow these procedures.

Principles of the SOP – The following principles will be followed by all finance staff with IHV – Nigeria.

- **Wire Transfers**

1. All wire transfers are sent to IHV – Nigeria's bank, Intercontinental Bank Plc. from IHV – Baltimore.
2. All wires to IHV – Nigeria are transferred into the IHV – Nigeria's Main Dom account for further transfer / credit to the respective grant / project Dom account.
3. Bank accounts are maintained with Intercontinental Bank Plc for general operations (Dom and I-Class) and First City Monument bank Plc for salary administration.

- **General Banking**

1. The conversion of funds is through Intercontinental Bank and deposited into the I-Class bank account.
2. All bank transactions are done in accordance with the Institute's mandate to our Bankers
3. Bank Mandates on the USD and I-Class accounts require two signatories one from each group, A and B.
4. All cheques are written in accordance with the SOP for Expenses.

- **Additional Information**

1. These procedures are not exclusive: other procedures shall be developed and deployed as the program needs dictate.
2. Local factors and economic factors may also dictate changes to these procedures.

STANDARD OPERATING PROCEDURES FOR OTHER CASH MANAGEMENT AND CHEQUE TRANSACTIONS CENTRAL OFFICE (IHV – Nigeria)

Date adopted: February 28, 2007, (in use since 2004)

Revised: March 1, 2010.

Approved by: Charles Mensah (Managing Director)

Intended Use

This procedure was developed to establish a systematic approach to cash payment and cheque transactions procedures in Nigeria.

Introduction

This SOP was developed to assure a strong internal control over all wire payment transactions. The IHV – Nigeria staff that deal with the banks associated with IHV – Nigeria must understand and follow these procedures.

Principles of the SOP – The following principles will be followed by all finance staff with IHV – Nigeria.

- **Cash Management and Cheque Transactions**
 1. All banking instruments – cheque book, bank statements, etc. are stored in a secured place
 2. Every payment request must be accompanied by an authorization based on a completed service or goods procurement contract. Full and verifiable documentation of the service/goods delivered must be included in the documentation. This must have been reviewed and certified for payment by the compliance unit before payment is scheduled.
 3. All funds transferred to the Regional Office for training, travel, hotel expenses etc. must be duly authorized and accounted for separately on the disbursement reports from the regional imprest.
 4. Cash disbursement and advances are supported by cash and advance vouchers duly signed / approved by the approving officer.
 5. Bills from accredited hotels in the region, who grant the Institute credit, are scheduled for approval and payment every Friday along with other payments.
 6. A schedule of all payments is made every week and sent to the Managing Director for concurrence.
 7. The payment office must ensure that there are enough funds in all paying accounts before payments are initiated. The in-house cash book must always be black i.e. no negative balances.

- **Additional Information**

1. These procedures are not exclusive: other procedures shall be developed and deployed as the program needs dictate.
2. Local factors and economic factors may also dictate changes to these procedures.

STANDARD OPERATING PROCEDURES FOR EXPENDITURES (IHV – Nigeria)

Date adopted: February 28, 2007, (in practice for last three years)

Approved by: Charles Mensah (Administrative Director)

Intended Use

This procedure was developed to establish a systematic approach to payment of expenses in Nigeria.

Introduction

This SOP was developed to assure a strong internal control over all payments procedures. The IHV – Nigeria staff that deal with the disbursement of cheques must understand and follow these procedures.

Principles of the SOP – The following principles will be followed by all finance staff with IHV – Nigeria.

- **Expenditure Policy**

1. All cheque requests and approvals are made using a payment voucher.
2. Payment vouchers are prepared and then signed by Approving Officers. Chief of party and / or Project director, Administrative Director or any officer so designated.
3. Third party and / or contractor payments are made through cheques. These cheques are cut once a week; every Friday.
4. All approval limits as set in the Procedures Manual are strictly complied with.

- **Additional Information**

1. These procedures are not exclusive: other procedures shall be developed and deployed as the program needs dictate.
2. Local factors and economic factors may also dictate changes to these procedures.

STANDARD OPERATING PROCEDURES FOR PAYMENTS BY WIRE TRANSFER (IHV – Nigeria)

Date adopted: February 28, 2007, (in practice for last three years)

Approved by: Charles Mensah (Administrative Director)

Intended Use

This procedure was developed to establish a systematic approach to wire payment procedures in Nigeria.

Introduction

This SOP was developed to assure a strong internal control over all wire payment transactions. The IHV – Nigeria staff that deal with the banks associated with IHV – Nigeria must understand and follow these procedures.

Principles of the SOP – The following principles will be followed by all finance staff with IHV – Nigeria.

- **Wire Transfers Payments**
 1. All FX denominated invoice / bills are paid by wire transfer.
 2. Wire transfers from the USD account are made to vendors with bank fiscal information.
 3. Wire transfers are approved in accordance with established approval procedures. See SOP's for Accounting and Expenses.
- **General Information**
 1. All wire transfers and receipts are recorded in the domiciliary accounts Cash Books.
 2. Bank statement reconciliation is completed monthly. All wires are reconciled against the Cash Books and Bank statement.
- **Additional Information**
 1. These procedures are not exclusive: other procedures shall be developed and deployed as the program needs dictate.
 2. Local factors and economic factors may also dictate changes to these procedures.

AMENDMENT TO STANDARD OPERATING PROCEDURES
PAYMENT PROCESSES FOR PAYMENTS LESS OR EQUAL TO #500,000

PETTY CASH TRANSACTIONS

EFFECTIVE DATE: MARCH 1, 2010.

APPROVED BY: CHARLES O. MENSAH (DCOP/MANAGING DIERCTOR)

A. TRAVEL/TOUR ADVANCES

BASED ON APPROVED MONTHLY TRAVELS PLANS (APPROVED BY DCOP AND COP):

- I THE CONCERNED OFFICER SUBMITS A TRAVEL REQUEST
- II THE HOD APPROVES THE REQUEST AND SENDS TO FINANCE
- III THE CASH OFFICER WRITES PETTY CASH VOUCHER BASED ON HOD's APPROVAL
- IV FINANCE MANAGER APPROVES THE PAYMENT VOUCHER
- V CASH OFFICER DISBURSES CASH BASED ON THE APPROVAL OF THE OFFICER'S HOD AND THE FINANCE MANAGER

B. OTHER PETTY OFFICE RUNNING EXPENSES NOT MORE THAN N50,000.00

- I REQUEST TO INCUR EXPENDITURE IS SUBMITTED TO THE HOD BY THE OFFICER CONCERNED
- II THE HOD APPROVES AND PASSES TO DIRECTOR OF ADMINISTRATION
- III DIRECTOR OF ADMINISTRATION CONFIRMS REASONABILITY AND COMPLIANCE WITH BUDGET PROVISIONS AND APPROVES
- IV APPROVED REQUEST GOES TO FINANCE AND THE PAYMENT VOUCHER IS PREPARED
- V FINANCE MANAGER APPROVES THE PAYMENT VOUCHER VI
- CASH OFFICER DISBURSES CASH

MAIN PAYMENT (CHECK REQUISITION)

- I ALL EXPENDITURES ABOVE **N50,000.00** BUT NOT MORE THAN **N500,000.00** ARE SUBJECT TO THE ESTABLISHED STANDARD OPERATING PROCEDURE INCLUDING REQUISITION APPROVALS AND THE ISSUANCE OF PURCHASE ORDERS.
- II ALL APPROVED PURCHASE ORDERS (PO) MUST PASS THROUGH COMPLIANCE FOR PRE PAYMENT AUDIT AFTER APPROVAL BY THE DIRECTOR OF ADMINISTRATION
- III ALL PROCUREMENT/JOB MUST BE CONFIRMED BY COMPLIANCE
- IV ALL DOCUMENTS RELATING TO THE PROCUREMENT/JOB MUST BE CERTIFIED ADEQUATE FOR PAYMENT BY COMPLIANCE
- V PAYMENT MUST BE AUTHORIZED BY THE DIRECTOR OF FINANCE THROUGH THE DCOP/MD IN A WEEKLY PAYMENT SCHEDULE.

EXPENDITURE ABOVE N500,000.00

- I PROCEDURES RELATING TO PROCUREMENTS MUST BE DULY OBSERVED
- II THE CHIEF OF PARTY APPROVES THE ISSUANCE OF PURCHASE ORDERS AFTER ALL ESTABLISHED PROCEDURES HAVE BEEN COMPLIED WITH
- III THE DEPUTY CHIEF OF PARTY/MANAGING DIRECTOR SIGNS THE PURCHASE ORDER ALONG WITH THE PROCUREMENT OFFICER AND THE DIRECTOR OF ADMINISTRATION.
- IV UPON THE FULL EXECUTION OF THE PURCHASE ORDER, THE PAYMENT OF THE INVOICE IS INITIATED BY THE RESPONSIBLE DESK OFFICER AFTER DUE DILIGENCE BY COMPLIANCE
- V COMPLIANCE REVIEWS AND CERTIFIES THE SUBMITTED DOCUMENTS (INVOICE, DELIVERY NOTE/JOB COMPLETION NOTE, A COPY OF THE PURCHASE ORDER AND ANY OTHER REQUIRED DOCUMENT) OKAY FOR PAYMENT
- VI THE CERTIFIED DOCUMENTS ARE FORWARDED TO FINANCE FOR PAYMENT SCHEDULING

VII ALL SCHEDULED PAYMENTS ARE FORWARDED TO THE DIRECTOR OF FINANCE FOR REVIEW AFTER WHICH THE DCOP/MD APPROVES THE PAYMENT

VIII CHECKS ARE PREPARED AND SIGNED CONSISTENT WITH THE ESTABLISHED PROCEDURES AND SIGNATURE AUTHORITIES

THESE PROCEDURES **DO NOT REPLACE BUT COMPLEMENT** THE SOPs FOR WORKFLOW FOR THE ISSUANCE OF PURCHASE ORDERS AND THE SIGNATURE AUTHORITIES FOR CHECKS.

STANDARD OPERATING PROCEDURES FOR OTHER CASH MANAGEMENT AND CHEQUE TRANSACTIONS REGIONAL OPERATIONS (IHV – Nigeria)

Date adopted: February 28, 2007, (in practice since 2004)

Revised: February 1, 2010.

Approved by: Charles Mensah (Managing Director)

Intended Use

This procedure was developed to establish a systematic approach to cash payment and cheque transactions procedures in Nigeria.

Introduction

This SOP was developed to assure a strong internal control over all wire payment transactions. The IHV – Nigeria staff that deal with the banks associated with IHV – Nigeria must understand and follow these procedures.

Principles of the SOP – The following principles will be followed by all finance staff with IHV – Nigeria.

- **Cash Management and Cheque Transactions**
 1. All banking instruments – cheque book, bank statements, etc. are stored in a secured place
 2. All funds transferred to the Regional Office for training, travel, hotel expenses etc. are to be accounted for separately on the disbursement reports from the regional imprest.
 3. Cash disbursement and advances are supported by cash and advance vouchers duly signed / approved by the approving Officer.
 4. Head Office procedures are strictly complied for procurement of items authorized for purchase directly by the Regional Office.
 - Minimum of three quotes from accredited vendors registered as contractors with the Institute,
 - Approvals are obtained directly from the Head Office for such procurements from authorized approving Officer.
 5. Bills from accredited hotels in the region, who grant the Institute credit, are scheduled for approval and payment every Friday. These may also be paid by the regions subject to availability of funds.
 6. Monthly reports of regional expenses (consolidated) are made no later than the 3rd week of each month following the month of reporting with the appropriate bank reconciliation statement.

- **CASH PAYMENTS**

1. The Cash imprest is used to fund basic petty cash transactions for running the regional office.
2. The Cash is stored in a secured place.
3. All Cash transactions are backed with receipt except for some transactions like Local Transport, Payment for postages, Mileage claim etc.
4. All Cash transactions are recorded in the petty Cash book.
5. All Cash transactions are approved by the designated approving Officer in the Region – (Regional Manager).
6. Regional Manager's expenses are approved by only the COP/Project Director or the Administrative Director.
7. All Cash transactions are recorded on a petty cash payment voucher which are approved before payments are made.
8. Petty Cash are replenished when the level is low and the need for Cash is high.
9. Petty cash imprest limit is =N=500,000.00 (Five Hundred thousand Naira only).
10. Additional fund is sent to the Region to meet specific needs such as hotel expenses, per-diem, and other ad-hoc expenses.

- **TRAVEL ADVANCES**

1. Travel Advances are prepared based on pre-approved travel request; which must be in the approved monthly regional travel plans (either by mail or the use of a Travel Request Form.)
2. Funds are transferred to the Regional office based on approved travel/training plans for purposes of hotel expenses, per-diem and related travel expenses.
3. All Travel Advances are recorded on a Travel Advance Voucher duly signed/approved by the approving Officer before payments are made.
4. All Advances to staff must be retired.
5. Staffs traveling from the regional offices to sites or Head office are given advances at the Regional office; not at the Head office.
6. All retired Advances must be approved and recorded in the Petty Cash book.

- **Additional Information**

1. These procedures are not exclusive: other procedures shall be developed and deployed as the program needs dictate.
2. Local factors and economic factors may also dictate changes to these procedures.

STANDARD OPERATING PROCEDURES FOR PETTY CASH MANAGEMENT (IHV – Nigeria)

Date adopted: February 28, 2007, (in practice since 2004)

Revised: February 1, 2010.

Approved by: Charles Mensah (DCOP/Managing Director)

Intended Use

This procedure was developed to establish a systematic approach to petty cash procedures in Nigeria.

Introduction

This SOP was developed to assure a strong internal control over all wire payment transactions. The IHV – Nigeria staff that deal with the banks associated with IHV – Nigeria must understand and follow these procedures.

Principles of the SOP – The following principles will be followed by all finance staff with IHV – Nigeria.

- **Petty Cash Management**

1. Petty Cash will be managed on an Imprest basis by the Finance Assistant.
2. All cash will be stored in a secure safe and place.
3. All Petty Cash transactions are recorded in the Petty Cash disbursement report.
4. All cash disbursement and advances are supported by cash and or an advance voucher duly signed / approved by the appropriate officer(s).
5. Departmental Director's expenses are approved by only the COP / Project Director or Managing Director.
6. All petty cash transactions are checked by the Finance Officer prior to reimbursement.
7. Petty Cash transactions are verified by receipts except for some transactions, such as local transport, postage, and mileage claims.
8. Replenishment of petty cash is when the level is low and the need is high.
9. The petty cash imprest limit is NGN 2.0 million. (Two Million Naira only).
10. Additional funds may be sent to Regional Offices as imprest to meet specific expenses, such as hotel expenses, per-diem, and other ad-hoc expenses.
11. The limit for each petty cash transaction shall be #50,000 except where an exception is sought and approved by the Managing Director.

- **Additional Information**

1. These procedures are not exclusive: additional procedures shall be developed and deployed as the operational needs dictate.
2. Local factors and economic factors may also dictate changes to these procedures.

STANDARD OPERATING PROCEDURES FOR TRAVEL ADVANCES (IHV – Nigeria)

Date adopted: February 28, 2007, (in practice for last three years)

Approved by: Charles Mensah (Administrative Director)

Intended Use

This procedure was developed to establish a systematic approach to travel advance procedures in Nigeria.

Introduction

This SOP was developed to assure a strong internal control over all wire payment transactions. The IHV – Nigeria staff that deal with the banks associated with IHV – Nigeria must understand and follow these procedures.

Principles of the SOP – The following principles will be followed by all finance staff with IHV – Nigeria.

- **Travel Advances**

1. Travel advances are prepared based on a pre-approved travel request; which must be in the approved monthly regional travel plans, either by mail or Travel Request Form.
2. Staffs traveling from the Regional Offices to Sites or Head office are given advances from the Regional Office, not the Head Office.
3. Funds are moved to the regional office based on approved travel plans. This is for the purpose of hotel expenses, per-diem, and related travel expenses.
4. All travel advances are recorded on a travel advance voucher duly signed / approved by the approving Officer before payment is made.
5. All advances must be retired
6. Retired advances must be approved and recorded in the Petty Cash disbursement report.

- **Additional Information**

1. These procedures are not exclusive: other procedures shall be developed and deployed as the program needs dictate.
2. Local factors and economic factors may also dictate changes to these procedures.

STANDARD OPERATING PROCEDURE FOR PAYROLL ADMINISTRATION IHV-Nigeria

Written by: DeboOlateju (Director of Finance)
Approved by: Charles Mensah (Deputy Chief of Party/Managing Director)

1. Employment Documentation and Payroll Registration

All engaged employees report to the Personnel office for initial documentation on assumption of duties based on a valid letter of employment signed by the Institute's Chief of Party specifying conditions of employment with details of salary/remuneration package. This documentation includes:

- An acknowledgment copy of the employment letter duly signed by the employee indicating acceptance of the offer and date to assume duties.
- Completed assumption of duties Form with details of the employee's bio-data, date duties assumed and endorsement by the employee's head of department.
- The Personnel Officer inputs the new employee's bio data into the Peachtree Personnel software including details of remuneration, date duties assumed, pension pin numbers; NHF account number, etc and forward copies of the aforementioned documents to the Director of Finance.
- The Director of Finance after proper check and verification, sends copies of the Employment letter and Assumption of Duties Form to the Payroll Officer with the instruction to process.

2. Payroll Administration

- The Payroll officer on satisfaction with documentation and instruction to process inputs employee's details in the Peachtree payroll software with special reference to basic salary, allowances, deductions such as pension, PAYE tax, National Housing Fund, assumption of duties date ready to run the payroll at the end of the month.
- The Payroll Officer gives the new employee a bank salary account opening package for purposes of opening a salary account in a designated bank. Forms are duly completed and sent to the bank. The bank thereafter advises the Institute the account number for the employee.
- At month end, the Payroll Officer runs the payroll software on the Peachtree accounting software and generates the payroll. He then

Crosschecks the generated payroll reports with hard copy of support documents. Once satisfied that this is okay, he passes the payroll report with all support documents to the Compliance Unit for further review.

- Once the Compliance Unit is satisfied with the payroll reports and supporting documents, the report is passed to the Director of Finance for approval to pay. The Compliance Unit ensures that all disengaged employees are excluded from the Payroll while all newly employed employees who have assumed duties are included consistent with their approved remuneration.
- The Director of Finance carries out check on sampling basis to confirm compliance and accuracy of computations. He thereafter passes the payroll to the Payment Officer with instructions for the payroll checks and bank schedules to be raised.
- He signs the checks and schedules and passes same to the Deputy Chief of Party/Managing Director for his final approval and signature.
- The checks and bank schedules are then sent to the Bank.

4. Administration of Deductions – Pension, PAYE tax, NHF, etc.

- The Payroll Officer extracts deductions schedules and passes the schedules to the Director of Finance to authorize payment to the appropriate Authorities.
- The Director of Finance cross-checks deductions with the payroll and authorizes issuance of checks. The checks are passed to the Deputy Chief of Party/Managing Director for his approval and signature before they are dispatched.

5. Payroll Reconciliation

- On a monthly basis, Payroll reconciliation is carried out by the Payroll Officer, to check causes of differential between the previous month payroll payments and the current month. This reconciliation is cross-checked and verified by the Compliance Unit.
- Employee efforts are computed, reconciled and appropriate journal entries made to charge all the relevant accounts.

**INSTITUTE OF
HUMANVIROLOGY,
NIGERIA
(IHVN)**

**HARMONIZED FINANCIAL
MANAGEMENT PROCEDURES FOR
IHVN AND HER SUB-RECIPIENTS
ON GLOBAL FUNDS MDR -TB
GRANT.**

**ADDRESS:
HEAD OFFICE:
PENT HOUSE, MAINA COURT**

**PLOT 252 HERBERT MACAULAY
WAY
CENTRAL BUSINESS DISTRICT, FCT
ABUJA**

**TEL: +234-9-4610342,
8036500427**

**E-MAIL:cmensah@ihvnigeria.org
WEB: www.ihvnigeria.org**

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1.0 INTRODUCTION

Financial Management could be defined as the process of planning and controlling the **sources of funds and its uses (application)** in order to achieve the objectives of an organization.

These days, the stern competition to win grants and continue in business necessitate organizations change from their old-style simple structures into very complex and robust accounting systems. They now introduce some effective financial rules and procedures in their operations to ensure effective and efficient management of resources as demanded by contemporary donors.

The intention of this Harmonized Management Procedures manual is to assist IHVN and her Sub-recipients in:

1. Providing an accounting system that facilitates adequate internal control that will prevent the possibilities of theft, fraud or financial errors, and capable of safeguarding the assets.
2. Maintaining and securing as far as possible, the accuracy and reliability of accounting records.
3. Generating the required financial reports according to generally acceptable accounting principles and the donor's requirements.
4. Serving as a reference to ensure a standardized accounting practice between the PR and SRs; and PR and Donor.
5. Mentoring of project for effective and efficient implementation and reporting.

2.0 BUDGETING

A project should have a workplan which summarizes the project objectives/SDA, and indicates project activities, responsible organizations, and targets to be achieved. Since Global Fund report is on quarterly basis, the **activities** and its corresponding **budget** are broken

into quarters, both linked and work hand in hand, monitoring each other throughout the course of the project/award. So, the grant budget not only gives a complete picture of projects expenditure, it also presents an organized overview of a program's progress over the course of the award.

A budget is a plan of activity or event quantified in monetary terms for a specific period of time in order to achieve a given goal/objective. Budget is used by management as a tool to plan, monitor and control financial activities. In developing a budget for Global Fund activities, two important things should be focused:

- **Income.** This includes Grants from donor, income from IGAs, interest on cash fixed deposits (investments), and counterpart funding (where applicable).
- **Expenditure.** Expenditure is determined by the type of activities undertaken by the project: In this project, expenditure is categorized into: Human Resources, Technical Assistance, Training, Health Products and Health Equipment, Medicines and Pharmaceutical Products, Procurement and Supply Management Costs, Infrastructure and Other Equipment, Community Materials, Monitoring and Evaluation, Living Support to Clients/Target Population, Planning and Administration, and Overhead (Attachment shows definition of each category)

2.1 Budget Development

Budgets are developed based on activities or events in the work plan. Each activity will have a number of staff, consultants/facilitators and participants involved. It will have location, number of days/unit and the frequency an activity is held. The following information should be noted in budgeting process:

- Setting the goals and objectives and keep in mind overall organizational strategies and activities necessary to achieve them.
- Collecting information on rates to be used.

- Developing the budget in local currency with a record of the exchange rate at the time of budget development.
- Allowing for annual increases where the program span over a year, causes of which may be inflation, unexpected costs, and like. It is certain that in such circumstance, nearly every budget category may be affected by inflation, it is therefore important to make room for this every year. Annual increase may range between 1-5%.
- Under – provision or complete omission of a vital budget line item should be avoided.
- There should be detailed budget line items that spell out all costs and activities. Thereafter, all summarized.
- Detailed 'Budget Notes' should be included to explain all the unique features of the budget and to document assumptions made in preparing the budget.

2.2 Pro-Budget Development:

- Approved budget of a project should be strictly adhered since donors do not usually reimburse expenditure incurred outside approved budget.
- It should however be noted that Budgets are projections and may not account for unanticipated occurrences. Expenditure for one budget line may be over or under. Therefore, budget allows for flexibility – an approved budget may be revised, moving funds from one line item to another. This is acceptable provided:
 - the total cost does not exceed the award amount
 - reduction in one budget line item should not exceed 10% of the total budget provision for that line item, and
 - PR is informed in writing of the proposed changes in the budget. The PR will approve if the changes are not material (less than 10% of the approved budget for that activity), but may need to obtain approval from GF through CCM and LFA where the changes are more than 10%.

- Sub recipient must report actual expenditure against approved budget line items on quarterly basis. Budget tracking template (Attachment) is used for this comparison. The purpose is to alert the Project Management Team (PR and SR) of areas of over/under spending and challenges experienced.
- Budget modification needs only occur when a major change is anticipated in spending, which cannot be absorbed into the current budget over the life of the award. These major changes in the SR's original program plans should be first worked out in collaboration with the PR, and once the donor agrees these programmatic issues, a new budget that incorporates the necessary modifications is developed.
- Project extension can be (1) a no-cost extension, which is an extension of project funding period without any changes to the funding level of the sub-recipient award. This may results due to under-spending of approved budget, a delayed start-up, or slow implementation of planned activities for various reasons. (2) a cost extension , follow the same steps of approval as budget modification mentioned above.

3.0 CASH MANAGEMENT:

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

- Cash receipts should never be used as petty cash funds and IOU.
- Cash receipts must be lodged in the project bank account within 3 working days of receipt.
- Employee making the accounting entries must confirm that the seriality of the

official receipt is maintained and follow up on any missing receipts.

- Compare amounts in bank deposit slip with the official receipt

3.1 PETTY CASH:

Since cash on hand (petty cash) is more likely to be misappropriated than cash held in banks, the amount of petty cash should be the minimum necessary to promote efficient cash payment and smooth operation. Petty cash should not be used for convenience in place of a cheque, when the payee will accept a cheque.

- All payment above N10,000.00 should be made by cheque, while expenses within N10,000.00 may be paid out of petty cash.
- Maximum petty cash imprest float should not be more than N50,000.00. The maximum should not change frequently: annual or semi-annual review of the maximum is reasonable.
- When the petty cash account balance reaches a low level (e.g. 10% of its maximum approved balance) the petty cash custodian should submit a request for replacement, along with all of the documentation supporting the petty cash disbursements.
- Petty cash voucher must be used for all petty cash disbursements. It should have prior approval of appropriate designated officer. The voucher should include a "payment received" line where the recipient concerned can confirm receipt of the cash.
- At least monthly, another employee must account the amount of cash on hand. The cash on hand and valid supporting documents on amount spent should equal to the imprest float.
- Petty cash must not be used to circumvent the procurement process. Also, Petty cash disbursements over the pre-established limit must not be allowed.
- Only one person, the designated custodian, should have access to petty

cash box. Petty cash should be secured from improper access by keeping it in a safe or locked strongbox.

- If considered necessary, a coupon kind of arrangement will be preferred so that drivers can get to gas station to pick fuel instead of cash purchases and where cash purchase will be required, it will not exceed the maximum of N10,000.00

3.2 BANK ACCOUNTS:

- A separate and dedicated current account should be opened to deposit funds from project. The account should be, preferably interest bearing and COT free. A new bank account may not be required where the project is an extension of a previous or closed one. Withdrawal from this account can be made on project activities only.
- SRs are encouraged to open the account with the same bank the PR has its account(s) to ensure prompt transfer of funds between PR to SRs:
- Two signatures are required on a cheque and cheque equivalents (for example, wire transfers) drawn on local currency bank accounts. The two individuals must be senior management level personnel. Where more than two signatories are appointed, they must be segregated into categories 'A' and 'B' to reduce the extent of delays when signatories are unavailable. However, these signatories should be described in the bank resolution as counter signatories only (i.e. they may not sign checks on their own).
- Once the bank account has been opened, the following information should be provided to IHVN:

Name of the account:

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.....

Name of Bank:

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Address of Bank:

.....
.....

Account officer's contact details:

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.....

Account Number:

.....
.....

Signatories (including their classes):

.....
.....

3.3 CHEQUE PAYMENTS:

- There should be an approved Fund request memo before raising Payment Voucher (PV)
- PV should have following information-
 - Payment Voucher title; Cheque no; date; Payee; description; Project activity number; and amount in word and figures.
- PV should be signed by preparer, checker, approval, internal audit (where available)
- There should be check and balances (segregation of duties) in financial transactions
- Cheque book should be maintained in a safe place
- Custodian of cheques must prepare cheques or disburse cash based only on properly approved cash disbursement vouchers.
- Cheques should be serially issued with corresponding dates

- Cancelled cheque should be filed after necessary inscription of the cancellation
- Check the computation for accuracy of the invoice
- The PV and supporting documents will be stamped PAID or some other defacing mark on all documentation supporting the payment voucher once payment has been effected to prevent its reuse and filed off serially in the appropriate Payment Voucher jacket.

3.4 BANK RECONCILIATION:

- Bank Reconciliation Reports for all GF project accounts, whether with activity or not, must be prepared monthly by Project Accountant (or someone who does not have custody of funds and checks) and reviewed by the Project Manager or Director. The preparer and reviewer should endorse and date the reconciliations.
- Bank items are compared with bank statements to draw up differences monthly
- Bank reconciliation statement prepared and signed by (1) person who prepares it, (2) approved by Head of the Department or Director, and (3) cross checked by the IHVN Internal Audit.

4.0 PAYROLL:

The major risks associated with payroll are overpayment to legitimate employees, payment to terminated or fictitious persons and misappropriation of payroll funds. Secondary risks are under or over withheld taxes or non-deduction of PAYE.

- Preparation of payroll (with necessary information from letter of appointment including job description, approved budget, staff compensation plan, timesheet, statutory deduction schedules),
- Cover memo conveying approval to pay salary and fringe benefits.

- Pay slips to be signed by the staff (recipient). A copy to be retained by the staff and a copy to the Finance.
- Payment procedure:
 - a. Direct deposit to the bank is preferable to paying payroll by cheque wherever possible. Keep copy signed by the bank as evidence.
 - b. Where individual cheques are prepared, they should be directly hand delivered to payees. Cheque that can not be hand delivered immediately should be stored in a locked safe with restricted access, until they can be delivered. Only employees themselves should be allowed to receive their payroll cheques unless there is a written request signed by the employee describing who else may receive the cheque and for what time period.
 - c. SRs are not encouraged to transfer staff salary to the general salary account used for other projects. Individual staff on the project should receive their salary directly from the project.
- An appropriate employee should be assigned the responsibility of periodically, at least annually, reviewing the statutory deductions' formulas in the payroll software or manual payroll system for consistency with the current laws.

5.0 CONCEPT PAPER:

SR will forward a concept paper detailing the objectives, deliverables, location of the activity/event, hotel, venue, etc. Also, the concept paper should include detailed budget.

5.1 *Training, workshops and meetings.*

Any training, workshop or meeting that is budgeted as residential, once the participants is more than five, all participants and facilitator(s) should be accommodated in the same hotel except where hotel will not be involved. The concept paper should show cost analysis showing hotel accommodation, hall rental, group lunch, tea & water, equipment rental, number of participants, dates of arrival and departure, location, rates for meals and incidental portion of DSA(that is balance after deducting accommodation and group lunch). Others are transport (air ticket, ground taxi, Kilometer computation), vehicle fueling and communication. Also the Facilitator/consultant cost. Attach hotel proforma invoice and invoice.

Where the participants are to be reimbursed; bank transfer instructions will be used to transfer money to the individual participant account (Cheque can also be used for this purpose). Note that item (i) and (ii) under the petty cash guidelines must be strictly adhere to in this regard.

The retirement documents should include Hotel bills (signed by each of the participants), hotel invoices for accommodation, group lunch, tea breaks, water and hall and equipment rental, payment documents signed by each participant for transport, meals, etc., attendance register, contract with the facilitator, other supporting documents on all the payment. There should be summary page showing the advance, expenditure and balance due to or from the staff. The retirement should also have report on the activity/event.

5.2 *Travel for monitoring, mentoring, to attend meeting by individual staff:*

Staff is provided with advance for travel cost (transport, DSA, etc.) on retirement, provide as supporting documents: summary page for all payments made (see template), receipts inform of

Air travel (Air tickets, Boarding passes, airport taxi receipts (if no receipt N2, 000 max), Road Travel (Details of kilometer used for computation). The receipt for payment must show location (address), name of the vendor, date of issue, telephone number (where applicable), amount (figure and word), and signature of both (receiver and payee). Also Trip Report.

5.3 Procurement:

Procurement documentations (equipment, printing, furniture, media activities, stationeries) should include bidding request to bidders, proforma invoice/quotations received, detailed report on the procurement from Procurement Committee or staff including processes adopted, invited bidders and analysis of the bids, budgetary implication and recommendations; minutes of meetings, contract agreement, delivery notes, correspondences with the bidders, etc. IHVN's SOPs will strictly be followed in this process.

5.4 Consultants or facilitators services:

Consultants in any form and facilitators could be hired. The payment documents should include consultant's bio data, report on selection process, contract letter, consultant invoice showing dates worked, number of days/hours, amount, signature of the consultant and approving officer) report of activity/event (interim or final), and correspondences.

5.5 Communication:

- Telephone- used recharge cards will be provided
- Courier costs with invoices and receipts
- Any others-evidence of payment.

5.6 Other procedures for expenditure include:

-All transactions must be supported with valid documentation such as:
-Vendor/supplier invoices, receipts and photocopy of cheques
-Signed statements of receipt by individuals not in position to issue their own receipts (e.g. for services, transport and per diem paid to participants)

- Appropriate payment vouchers and other internally generated forms (Payment Request, advance form, etc.)
- All advances taken should be duly retired
- All transactions must be duly approved

- Each payment voucher must carry a sequential number
- Payment Vouchers and vendor invoices are to be stamped or marked "PAID" after payment.

6.0 OTHER CONDITIONS FOR REIMBURSEMENT OF EXPENSES

- The grant is a cost-reimbursable agreement. IHVN reimburses upon submission of properly completed Progress and Financial reports, and costs complying with the following terms and conditions of the grant:
- It must be *Reasonable Costs*. Those cost which are generally recognized as ordinary and necessary and would be incurred by a prudent person in the conduct of normal business prevailing at the time the decision was made to incur the cost.
- It must be *Allocable Costs*. Those cost which are incurred specifically for the grant. It must not be Unallowable Expenses. Direct or indirect, unallowable expenses include but are not limited to the following examples: advertisement, bad debt, contingencies, investment management costs, fundraising, interest expense, losses on other awards, taxes, first class airfare, depreciation, professional cost on litigation (see attachment).
- Procurement transaction must be on open and free competition, with two or three quotations on all procurements of N100,000.00 and above, and appropriate

procurements records must be maintained.

6.1 Other Internal Financial control

- Global Fund retains ownership of all property (vehicles, equipment, furniture, etc.) donated or bought with grant's funds, and therefore, sub-recipients should:
 - Maintain inventory records for the property, showing description, identification number, date of purchase, unit price, location, condition, disposition date, etc (Appendix R).
 - All property must carry label numbers of project name and display name of funder in a sticker.
 - None of the properties should be disposed off without prior IHVN approval and when approved, proper sales procedure, which provides for competition and highest possible return, must be adopted.
 - Physical verification of all assets should be performed on a periodic basis and reconciled to the record. Any discrepancies noted should be promptly investigated.
 - Inventory sheets (Appendix S) should be maintained for statutory and supplies, showing receipts, issuance and the balance. Others are the names of the issuer and receiver, and supplier information.
 - Provide adequate control to prevent loss, damage, or theft of

the equipment, commodities, etc.
if any of these occur, it should be investigated, fully documented and IHVN informed immediately.

- On quarterly basis, submit the list of equipment purchased during the month

At a minimum, provide the equivalent *insurance coverage* for a real property and equipment, furniture and cash.

PAYE tax liability for each staff member should be calculated, deducted from his/her salary and remitted to the tax authorities on a monthly basis.

Required rate for *Pension* should be deducted, added to employer's contribution, and total pension remitted to appropriate Pension Managers.

Maintain staff attendance records, and time sheets must be maintained for each employee paid under the project, showing number of hours worked and initial of each employee. The staff immediate supervisor should approve the time sheets (Attachments).

Maintain proper segregation of duty, which is where possible same staff must not be of position to request, approve and make payments; or commodities custodian responsible for both the procurement and receipt of contraceptives, equipment or supplies.

Financial records, supporting documents, and all other records pertinent to the award should be retained for a period of at least *three years* from the dates of submission of the financial expenditure reports to IHVN.

7.0 FUND REQUEST:

- **Initial disbursement** is usually made after the completion of project take-off staff orientation, and on receipt of first fund request details/ template and Bank Information Form (if applicable).
- **Subsequent disbursement** depends on submission of financial reports on earlier disbursement and clearing of all queries on the submission.
- A request for fund should include Detailed Fund Request Template based on the approved Action Plan (as agreed during the PR and SR Quarterly meeting) for quarter. The template should include Budget for Unaccomplished activities in the previous quarter being rolled over and activities in the current quarter.
- Deduct the cash balances at the end of the last quarter from the Total Budget for all activities (current or rolled) for current quarter. This will show the net fund requirement for the quarter.
- The complete Fund Request template should be signed by the Authorized Officer (the person that signed the MOU or designated).
- Subprojects are discouraged to use private funds to execute activities on behalf of IHVN unless there is **expressed written authorization** to do so. Where it is not, IHVN will not reimburse such costs
- On receipt of funds, **Acknowledgement of Funds Received from IHVN Form** (*Appendix H*) must be returned to IHVN immediately, giving details of the receipt (amount received, source of funds, bank commission, etc.).

8.0 REPORTING REQUIREMENTS

Financial reporting is categorized into two. This includes:

8.1 Regular Quarterly Report

Regular Quarterly report, comprising the followings, should be signed by authorized officer(s) and submitted to IHVN Finance Unit, Abuja office not later than two weeks after the end of quarter:

- Cash Ledger: This is a large spreadsheet that records **all incoming funds** and **outgoing expenses (cash and bank)**. It shows the balance of funds at every point in time. It also has columns where all the expense subhead as per budget line items is allocated.
- All Payment Vouchers and supporting documents (approved payment request, photocopy of all cheques issued, invoices, quotations, contract letter/ LPO, receipts etc as shown in the cash ledger. It is mandatory that photocopy of every cheque issued is made before it is released to the beneficiary. This should be communicated to SRs in clear terms.
- The budget tracking form that shows the budget per activity, expenditure, variances and reason for the variances (Attachement). It

helps project management to know where they have overspent, underspent or have challenges.

- Bank Reconciliation statement, showing current bank balances. This is a reconciliatory form, which reconciles the cash ledger to the bank statements, to draw up closing cash balances. Where transaction entry mistakes are made, this form will reveal such.
- Bank statements
- Form for recording Expenditure on equipment purchased in the quarter
- Detailed analysis of funds required for next quarter activities (Fund request)
- IHVN usually conducts review of submitted financial reports. Queries raised must be urgently addressed by subprojects, and where necessary they may have to respond in writing to IHVN office.

8.2 Project Close-out;

- At the end of a project (agreed date per grant award letter or termination, whichever is applicable), a close out report should be submitted, comprising:

Final financial, performance and other relevant reports

A list of all equipment, furniture and other assets or commodities supplied by or purchased with donor funds.

No project funds should be used for expenses incurred after the project's end date except already encumbered

Interest earned on project's funds or income from income generated activities/projects must be reported in the appropriate place on each financial report.

All unused funds held by sub-recipients (in hand or at bank) on the end date must be returned or disposed off according to instructions from IHVN.

9.0 AUDITING OF SUBRECIPIENTS

- IHVN may request independent audit/inspection of the subprojects to determine their compliance with (1) established internal control (2) laws and regulations and provisions of contracts or grants agreements, and (3) procedure in preparation of programmatic and financial reports. In the event of an audit, subprojects must:

Respond promptly to findings/observations raised in the audit reports.

Prepare action plan to address audit findings and follow up on its implementation.

- In the event that a final audit has not been performed prior to close out of an award, IHVN retains the right to recover an appropriate amount after fully considering the recommendations on disallowable costs, resulting from the audit.

10.0 ACCPAC

IHVN uses ACCPAC Accounting enterprise system for its financial transaction processes including data entries and reporting. The software is easy to operate and has much function that make the GF reporting easier. It is advised for each SR to use ACCPAC. Where this is not possible, IHVN will develop a robust Excel format reporting template for SR's use.

- Tailor your chart of account according to GF categorized expenditure (see under Budget above)
- Cancellation of transactions in ACCPAC should be through Journal Entries.

11.0 MONITORING OF SUB-RECIPIENTS and SUB- SUB -RECIPIENTS

The need for regular financial project monitoring can not be over-emphasized. It enables the Finance officers:

- Assessing the implementation of the workplan and budget on an on-going basis.
- Determining how effectively and efficiently the project resources (human, financial, and material) have been used.
- Measuring the current status and change over time in the workplan and budget in any of the program components, that may require budget review.
- Possibility of detecting in time the irregularities or weaknesses in program implementation and financial system and

be able to promptly build necessary controls.

- Targeting deliverables and ascertain of reasonable assurance that the sub recipients will administer the financial grants in compliance with the laws, regulations and provisions of the contract or grant agreements.

The Sub-recipients' staffs carry out the first level of project financial monitoring on their sub-sub-recipients. The second level is by IHVN finance officers, which is through field visits, review of financial and programmatic reports, and audit reports.

11.1 Monitoring strategies.

To put tighter controls on monitoring activities, and assist sub-recipients to be more efficient in their project implementation and reporting patterns, the following strategic steps should be put in place for monitoring of the Global Fund project at SR and SSR levels:

11.2 Pre-Award process to sub-recipients

- Finance officers participate actively in the selection and assessment the capability of the preferred sub recipients, and ensure that:

Guideline for proposal writing i.e. well defined.

Proposals are obtained from credible organizations.

Proposals are reviewed, taking into consideration past performance; good policies on managing programs, equipment, procurements, and other financial responsibilities.

Pre-award visits to potential SRs are conducted to assess their management capability to manage the funds.

Work plan and Budget components of the proposals are reviewed with the SR.

Global Fund (GF) concurrence is obtained on MOU with the selected SRs before first disbursement.

- Conduct orientation workshop to give partners insight into the implementation of the project. This training will help the new staff to understand the financial management procedures and will provide refresher training for older partners.
- Provide copies of the Harmonized Accounting manual to participants as a reference manual in their operation sites/offices. Ensure that the SR accountants are familiarized with the manual.

11.3 Post –Award Strategies

Participation at workshops:

- IHVN Finance officers will attend some randomly selected major workshops organized by the SRs, during which he/she will among others:
 - Obtain the attendance record of all participants.
 - Observe how financial transaction with participants are handled to determine per diem and transportation allowances paid; and have overview of other general expenses incurred to organize the workshop.
 - Provide technical assistance to the sub-recipients accounts/program officers handling the payments

- Interview participants to ascertain the level of accomplishment of workshop/seminar

The information gathered, will guide when SR reports are reviewed and serves as points to build confidence on the SR concerned.

11.4 Performing Site visits:

- During the quarter, Finance/audit officers will visit SRs to review their financial reports and ensure any queries are cleared.
- Perform **routine** site visits to each SR and their sub-sub-recipients once in every three months to review their records and observe operations. This visit will be jointly made by Finance, program and M&E officers. A *Financial Checklist* (Attachment) should be used during the visit.
- Where circumstances permit, Finance/audit officers will make more frequent visits to SRs with unique challenge/problems.
- To facilitate good relationships, and ensure appreciable results on the part of projects, Finance Officers will maintain good rapport with key SRs staff.
- Twice in a year, "financial Management and Accounting Procedures Checklist" (Attachment) should be completed during visits to each of the SRs.
- At the beginning of each financial year, monitoring field trips plan should be drawn up by Program, M&E and Finance units:

11.5 Financial Records and Reporting:

The following Financial Reports will be submitted by SRs on timely basis when due:

- Monthly/quarterly financial reports of income and expenditure (cash and petty cash ledgers, and analysis of expenditure and advances)

- All payment vouchers and supporting documents for the month
 - Monthly bank reconciliation statements, with necessary bank statements
 - Analysis of fixed assets procured during the month
 - Reports of their sub-sub-recipients
 - Quarterly report of budget tracking/status, with explanations on variances
 - Analysis of quarterly Expenditure projections, backed up by approved work plan/budget
 - Quarterly analysis of orphans and vulnerable children supported, with reports on the education and health funding status.
 - Annual reports of inventory, etc.
-
- Finance officers will review financial reports and ensure that the financial reports meet standard rules and conditions of the award agreements. Observations are communicated in writing to SRs or queries cleared on sites (where necessary). The Chief Operations Officer and program officers should be intimated of any serious observations.
-
- Proper records of all important telephone conversation with, as well as all correspondences received from/sent to SRs will be maintained.
-
- Files should be maintained for each SR. letters, reports, and other information that should be available to all staff should be sent to staff through emails.
-
- Ensure that all records and supporting documents pertinent to awards are kept for a period of at least three years before being disposed.

- Finance should note that disbursements to SRs should not be expensed in the books, but treated as advances against the SR. On a monthly basis, the advances should be reconciled with the satisfactory actual expenses as per submitted financial reports. Thereafter journal voucher will be raised to adjust the ledger accordingly. **Where there are some unsatisfactory expenditure, the total amount of unsatisfactory expenses will be deducted from the amount due to SR. release of funds for these unsatisfactory expenses will depend on proper clearance of queries on them.**

11.6 Other monitoring process:

- Regularly and promptly, Finance will provide technical assistance/training to IHVN program officers and other staff to expand their technical capability to ensure that SRs compliance with grants/donor terms and conditions
- Where external auditors/consultants reveal some findings on SRs, Finance Officers should review, evaluate, and ensure that SRs follow up on corrective action plans.
- It is important for Finance officers to keep track of SRs' project expiration dates. Where an extension (cost or no-cost) is required, the extension agreement should be signed by both parties at least one month before the close of the existing agreement.
- In case of close out, all reports should be ready within three months after the close of the project.

12.0 UNALLOWABLE COST

IHVN will pay for reasonable costs incurred in carrying out the project as described in the approved Project Description and Work plan and Budget and, which follow the Project Terms and Conditions. IHVN does not allow charging the project for the following types of costs:

- Advertising (except for recruiting staff positions and invitation to bid for procurement purposes)
- Bad debts
- Contingencies
- Gifts
- Entertainment
- Social activities
- Fines and penalties
- Fund raising
- Interest expense
- Losses on other awards
- Taxes, if exemption available
- Overhead as a percentage of other costs
- First class air fare
- Depreciation
- Professional service costs incurred in connection with litigation against the SR or the Global Fund project
- Organization and reorganization costs
- Salaries paid to host government employees
- Military equipment
- Surveillance equipment
- Luxury goods and gambling equipment
- Weather modification equipment
- Abortion equipment and services

It should be noted that if any SR has a question regarding a specific or unique cost, write to IHVN for determination as to its allow ability prior to expending the funds. Otherwise, if IHVN determines that the goods or services fall into a questionable category, IHVN will require you to refund the disallowed costs.

