



## **FINANCE POLICY & GUIDELINES**

### **1. FINANCIAL PERSONNEL**

- 1.1** *Volunteer with Financial Support (VFS-A) responsible for finance are aware of and understand compliance requirements and are encouraged and empowered to communicate all instances of noncompliance to management.*
- 1.2** *In the event of VFS-A turnover, the organization makes it a priority to replace any key financial person as soon as possible after the departure of the VFS-A responsible for Finance.*
- 1.3** *All VFS-As are required to take vacation each year and someone else is designated to perform their tasks during their absences.*
- 1.4** *All VFS-A responsible for Finance are evaluated at least annually.*
- 1.5** *As per written policy, recruitment of VFS-As are based upon meeting specified qualifications and promotions are merit-based.*
- 1.6** *There is a current, signed contract with each VFS-A on file.*
- 1.7** *Well-defined job descriptions that specify educational and experience requirements are on file for each financial position.*

### **2. FINANCIAL SYSTEMS**

- 2.1** *PRISM maintains a single, formal general ledger that includes all financial transactions and uses double-entry bookkeeping (debits and credits).*
- 2.2** *There is an audit trail for all entries into the general ledger. No general ledger account balance can be changed without visible evidence that a change has taken place.*
- 2.3** *If the general ledger is manual, it is prepared in ink.*
- 2.4** *Access to the general ledger is controlled and the general ledger is secured when not in use, via storage in a locked cabinet or safe, if manual, or through password protection, if computerized.*
- 2.5** *If computerized, the general ledger is backed up at least monthly.*
- 2.6** *Each month PRISM closes its books and prepares a trial balance (summary of all general ledger account balances).*
- 2.7** *If Excel is used or an equivalent spreadsheet software for general ledger purposes, the entries in the general ledger are printed and approved on bi-weekly basis to ensure that any alteration of the electronic version will be detected.*
- 2.8** *Cash cut-off dates for receipts and disbursements are strictly enforced.*

- 2.9** *Cash ledgers (cashbooks) are maintained and updated daily for recording all cash (currency) receipts and disbursements and for keeping running balances of all cash-on-hand funds.*
- 2.10** *PRISM has a chart of accounts that contains account numbers and descriptions for all accounts used.*
- 2.11** *Separate cost centers or project numbers are used to identify each project conducted.*
- 2.12** *Each bank account has been given a separate account number in the general ledger.*
- 2.13** *One VFS-A has the primary responsibility for maintaining the general ledger. If the general ledger is manual, one designated VFS-A performs all postings. If the ledger is computerized, a single VFS-A oversees all postings to the general ledger.*
- 2.14** *The financial systems used in PRISM meet its needs.*

### **3. FINANCIAL REPORTING**

- 3.1** *Finance section prepares an annual budget for the entire organization. The budget shows all projected revenues and expenses and is approved by the Finance Sub-Committee and the Governing Body.*
- 3.2** *Budgets that show expenses by month are prepared for each project.*
- 3.3** *Financial reports, including budget comparison reports for each project, are issued to the Governing Body at least monthly.*
- 3.4** *Finance Sub Committee reviews the reports and requires investigating and reporting on significant variances or unusual balances noted during its monthly reviews. Review and investigations details can be communicated through mails between the designated members.*
- 3.5** *Finance Subcommittee meeting will be held periodically after every three months. Accounts related issues will be discussed there in the meeting by all FSC members.*
- 3.6** *After every three months office will make Audit for self interest. Auditor himself or his representative will come and check office accounts.*
- 3.7** *The organization closes its books at the end of its fiscal year, and has financial statements prepared that summarize the financial results for the year.*
- 3.6** *The financial reports submitted to the Governing Body, donors, and the local government are approved by the Governing Body to attest that they are accurate and issued within the established deadlines.*
- 3.7** *Cash flow forecasts are regularly prepared, approved and issued to donors (if required).*

## **4 INTERNAL CONTROL ASSESSMENT**

- 4.1 PRISM has a formal, documented process for purchasing goods and services, including the requisition and authorization phases, and requires standard documentation as support for the full purchasing cycle.**
- 4.2 PRISM has a formal, documented process for receiving goods and services and requires standard documentation as support for the receipt of goods and services.**
- 4.3 PRIS has a formal, documented process for recording cash receipts and requires standard documentation to support cash receipts.**
- 4.4 PRISM has a formal, documented process for recording cash disbursements and requires standard documentation to support cash disbursements.**
- 4.5 Cash on hand is adequately safeguarded.**
- 4.6 Unused checks are adequately safeguarded.**
- 4.7 Bank accounts are always used where available and when applicable.**
- 4.8 Separate interest-bearing bank accounts are used when contractually required.**
- 4.9 Transactions are authorized by the CEO/Chairperson.**
- 1.10 All bank accounts are in the name of the organization, not in the names of individuals.**
- 4.11 Signatories are designated for each bank account and signature cards are kept on file.**
- 4.12 Duties are segregated for the following tasks:**
  - 4.12.1 VFS-A, who opens the mail or receive cash do not prepare, record, verify, or approve cash receipts journal entries.**
  - 4.12.2 Cash disbursements are prepared, recorded, and distributed by VFS-A other than the persons who authorized the expenditures or received the goods or services. When such segregation is impossible, additional mitigating controls such as more management reviews of transactions, are put in place.**
  - 4.12.3 A monthly bank reconciliation is prepared and subsequently approved by the CEO/Chairperson.**
  - 4.12.4 The VFS-A, who prepares the monthly bank reconciliation does not receive, deposit or disburse cash. When such segregation is impossible, additional mitigating controls are put in place.**
  - 4.12.5 The payroll is prepared and distributed by a VFS-A, who is not responsible for final hiring and firing decisions, approving time sheets, or preparing the reconciliation for the related bank account. When such segregation is impossible additional mitigating controls are put into place.**
  - 4.12.6 Each payroll is verified by a VFS-A other than its preparer and approved by the CEO/Chairperson.**
  - 4.12.7 Purchases of goods and services are approved in writing by the Purchase Sub-Committee members and executed by a VFS-A, who do not authorize the expenditures or receive the goods.**

- 4.12.8 The organization enforces a rule that no VFS-A is allowed to approve his or her own expense reimbursement.**
- 4.12.9 All cash funds are regularly counted by designated VFS-A other than their custodians.**
- 4.12.10 Surprise, unannounced, independent cash counts are conducted at various times during the year.**
- 4.12.11 No VFS-A supervises another VFS-A to whom they are related or with whom they are in a committed, personal relationship.**
- 4.12.12 The VFS-A, who authorizes expenditures do not have custody of the fixed assets or goods purchased.**
- 4.12.13 The member, who have custody of blank checks do not serve as authorized check signers or in a procurement capacity, maintain the general ledger, or prepare/approve bank reconciliations.**
- 4.12.14 The Petty Cash Custodian does not handle cash receipts, have any involvement in the preparation, approval, and recording of cash receipts entries, maintain the firm's accounts receivable records, or maintain the general ledger. When such segregation is impossible, additional mitigating controls are put into place.**
- 4.12.15 The VFS-A, who prepare, record or distribute cash disbursements do not prepare or approve bank reconciliations, validate or approve journal entries, maintain receivable records, set up new vendor codes in the general ledger, or maintain the approved supplier master list. When such segregation is impossible, additional mitigating controls are put in place.**
- 4.12.16 The VFS-A designated as Fixed Asset custodians do not maintain the related accounting records, serve as final approvers for additions or disposals, or oversee the "independent" physical counts of those assets.**
- 4.13 The organization enforces a rule that no blank checks are signed. (If blank checks are signed, explain why in the comments section.)**
- 4.14 PRISM has formal, documented processes for tracking Recruitment of VFS-As, honorarium increases, promotions, and terminations.**
- 4.15 PRISM's CEO/Chairperson and chief local executives assert that it complies with all local laws and reporting requirements and there should not be any instances of noncompliance.**
- 4.16 PRISM needs to ensure that no material weaknesses or significant deficiencies were noted in the last audit report.**
- 4.17 The Executive Director needs to review all audit reports & ensures that all audit findings have been addressed.**
- 4.18 PRISM management is not aware of any recent incidence of fraud.**

## **5. PETTY CASH**

- 5.1** *Petty Cash Funds should be maintained on an impressed basis. The suggested range for the Petty Cash Fund balance is from INR 1.00 to INR 2000.00, depending on the need as determined by the project team.*
- 5.2** *Never permissible to issue honorarium advances or loans to VFS-As or to cash personal checks from the Petty Cash Fund.*
- 5.3** *The Program Officers or the Programme Coordinators must make certain that disbursements from the fund are processed and accurately recorded on a timely basis, and that they properly documented and approved.*
- 5.4** *In case of FC Projects/Programs also indicate the equivalent impressed balance in local currency to allow for currency fluctuations in the exchange rates. Individual disbursements from the Petty Cash fund may not exceed INR 500, but the disbursement limit may be lower, if deemed appropriate by the project team.*
- 5.5** *It shall be the CEO/Chairperson's discretion as to the number of Petty Cash Funds used. It is recommended that no more than one Petty Cash Fund be established for any office location. A separate Petty Cash Fund should not be set up for projects funded by a segregated bank account. Small expenditures needed for those projects should be disbursed from the main Petty Cash Fund at that location and routed through the inter-fund receivable and payable accounts. The inter-fund balances should be settled within thirty days by a cash transfer from the segregated bank account to the main checking account.*
- 5.6** *It is the responsibility of the CEO/Chairperson to establish a limit, designate a custodian, and assign an independent monitor and to provide for physical safeguards for each Petty Cash Fund used in different project locations. It shall be the CEO/Chairperson's discretion to set up or close a Petty Cash Fund. No approval is required from the Governing Body for such action.*
- 5.7** *It shall also be the responsibility of the CEO/Chairperson to ensure that the fund is maintained on an impress basis that does not exceed the operating requirements or the established limit.*
- 5.8** *Each Fund Custodian must ensure that the fund entrusted to her/him is adequately safeguarded, that disbursements from the fund are properly documented and approved by designated authorities, and that the fund is reimbursed to the established limit at appropriate intervals.*
- 5.9** *The CEO/Chairperson or other VFS-As to whom the Fund Custodian reports should ensure that there is an adequate segregation of duties with respect to the administration of the fund, that the fund is independently counted at least monthly and at unannounced times as deemed appropriate, and that a capable back-up has been assigned the responsibility of administering the fund in the event of the custodian's absence (please also see Annex.X).*

## **6. DOCUMENTATION & RECORDKEEPING**

- 6.1** *Standard entry forms are used for recording cash receipts, cash disbursements, and journal entries into the general ledger.*
- 6.2** *All manual accounting entry forms are prepared in ink, and signed by the preparer, reviewer, and approver.*
- 6.3** *All entry documents are assigned sequential reference numbers for control tracking purposes.*
- 6.4** *All documents, including original invoices and approvals, that support the accounting entries made are on file in Finance and are easily accessible.*
- 6.5** *All accounting entries and the supporting documentation are canceled to prevent their reuse.*
- 6.6** *All accounting ledgers, entries, and supporting documents are kept on file for at least three (3) years after the expiration or termination of the related, final payment, or after final resolution of any litigation, claim, or audit, whichever is later, or for the retention period required by local statute, if longer.*
- 6.7** *Standardized time sheets or time records are used to capture all time actually worked on and charged to projects, are submitted and approved on no less than a monthly basis, and serve as the basis for the salary and wage expenses charged in the general ledger.*
- 6.8** *Payroll withholdings and payroll taxes are remitted on time and reported accurately in accordance with the requirements.*
- 6.9** *The organization has secure filing systems that allow for easy, complete retrieval of financial documents.*

## **7. FIXED ASSETS**

- 7.1** *All Fixed Assets are safeguarded during non-working hours.*
- 7.2** *All fixed assets have assigned custodians who are accountable for those assets.*
- 7.3** *PRISM maintains an audit trail with documentation to support fixed asset acquisitions and disposals.*
- 7.4** *PRISM has a record for each purchased fixed asset that shows its cost, location, funding source, current condition, and unique property identification number, as assigned.*
- 7.5** *PRISM has a record for each donated (in-kind) fixed asset that shows its fair value at the time of the donation, location, donor / funding source, current condition, and unique property identification number, as assigned.*
- 7.6** *The records for all fixed assets agree or reconcile to the PRISM's general ledger balance for each fixed asset category.*
- 7.7** *At least once each year, fixed assets are counted by designated VFS-As who do not have custody of the assets.*
- 7.8** *Results of the counts are recorded, summarized, and reconciled to the fixed asset records.*

- 7.9** *Count differences are investigated and brought to the attention of management.*
- 7.10** *When necessary, approved adjustments are made to the fixed asset records and the general ledger, ensuring that they are kept in balance.*
- 7.11** *PRISM has a fixed asset policy or procedure that specifies which property acquisitions are to be capitalized, the various asset categories, the approvals needed for acquisitions and disposals, and the estimated useful life for each asset category.*
- 7.12** *Fixed assets, other than land, purchased or received as donated property are charged off to expense using depreciation over their estimated useful lives.*

## **8. ADVANCE & RECEIVABLES**

- 8.1** *All amounts advanced to vendors and VFS-As are accounted for as open receivables in the organization's general ledger.*
- 8.2** *PRISM uses a separate general ledger account to identify each type of receivable.*
- 8.3** *PRISM issues procedures or other documents that indicate when each type of receivable or advance is due.*
- 8.4** *Amounts due from each party are separately identified and tracked in the general ledger or a subsidiary ledger.*
- 8.5** *Schedules showing the amounts due from each party and when those balances arose are prepared at least quarterly, reconciled to the general ledger, and submitted for management review.*
- 8.6** *Follow-up actions are taken to collect or resolve open receivable balances.*
- 8.7** *Non-collectable balances are written off after obtaining management's approval.*
- 8.8** *Advances are not given to parties that have pre-existing, overdue balances.*

## **9. REIMBURSEMENT POLICIES FOR THE VFS-As**

- 9.1** *The objective of a reimbursement policy is to regularize expenditure and act as an effective cost saving policy.*
- 9.2** *All reimbursements will be made only on producing a proper bill.*
- 9.3** *All reimbursements will be approved by his/her Supervisor.*
- 9.4** *In case, a proper bill is not available, the VFS-A should submit a Self attested voucher statement stating "no proper/pucca bill is available". No initial signature will be entertained.*
- 9.5** *For any service such as printing, telephone connections, computer repairs, etc. it needs to consider at least 3 vendors. Terms and condition of the vendors should be checked before deciding to select the best vendor.*
- 9.6** *Expense of Travel related to official work will be reimbursed for auto rickshaws and other public transports like bus, tracker, van, rickshaw and train. For*

*emergency situation employees may use Taxi. However, employee must clarify the reason logically during submission of his/her travel form with vehicle log sheet (see Annex.VIII) and that must be approved by his/her approval authority/supervisor (see Annex.VII).*

- 9.7** *Resource Persons may take Taxi fare prior to approval of the Executive Director.*
- 9.8** *Travel reimbursements for out-station travel for official work will have to be approved by the Executive Director before making the travel.*
- 9.9** *Travel and expenses bill should be reimbursed within 7 days after approval by the supervisor.*
- 9.10** *Work related business meetings held at coffee-shops / restaurants will be reimbursed as actual. However, any such expenditure should be avoided as far as possible.*
- 9.11** *Any money transaction above Rs.5000 must be done through cheque.*

## **10 APPROVAL POLICY**

- 10.1** *Any requisition of expenditure would be duly approved by the Executive Director.*
- 10.2** *Any fund request must be sent to the Accountant (see Annex.III). After checking the fund request the Accountant will prepare the fund request finally in specific format (see Annex.IIIA) and send to the Executive Director for proper approval.*
- 10.3** *Monthly withdrawal requisition should be prepared by the Accountant and will send to Executive Director for approval on last day of every month.*
- 10.4** *Expense more than Rs. 2000 per month should be approved by the Executive Director.*

## **11 PURCHASE POLICY**

- 11.1** *For any purchase at least 3 Quotation should be collected.*
- 11.2** *Bid committee will analyze those Quotations and will select 1 Quotation based on technical as well as financial merits.*
- 11.3** *Bid committee will send to Purchase committee for approval of the quotation.*
- 11.4** *After approval of the selected quotation Purchase committee will issue purchase orders and then materials will be purchased.*
- 11.5** *Money transaction above Rs. 5000 should be paid through cheque.*