



## FIELD FINANCE MANUAL

---

**Issued by: Mercy Corps Headquarters**  
**Last Updated: July 1, 2013**

## **Section 1 - Introduction**

- 1.1**      *Purpose and Scope*
- 1.2**      *Finance Manual Control*
- 1.3**      *Country Office Supplementary Manuals*
- 1.4**      *Finance Roles and Responsibilities*
  - 1.4.1      Organizational Structure and Accountability
  - 1.4.2      Roles and Responsibilities – HQ and Field

## **Section 2 - Internal Controls**

- 2.1**      *Purpose and Scope*
- 2.2**      *Key Elements of Internal Control*
- 2.3**      *Basic Internal Controls*
- 2.4**      *Segregation of Duties*
  - 2.4.1      Segregation of Duties Matrix
- 2.5**      *Approval Authority*
  - 2.5.1      Responsibility for Assigning and Enforcing Authorities
    - 2.5.1.1      Assigning Temporary Authorities
  - 2.5.2      Responsibilities of Approval and Review Authorities
  - 2.5.3      Local and Remote Approvals
  - 2.5.4      Headquarters Authorities
  - 2.5.5      Approval Authority Matrix
    - 2.5.5.1      General Approval Authority Matrix Policies
- 2.6**      *Letters of Authority / Letters of Revocation*
  - 2.6.1      Letters of Authority
  - 2.6.2      Letters of Revocation
  - 2.6.3      Issuing Letters of Authority and Letters of Revocation
  - 2.6.4      Authorized Use of Letters of Authority
  - 2.6.5      Tracking Letters of Authority
- 2.7**      *Ineligibility and Compliance Checking Policy*
  - 2.7.1      Ineligibility and Compliance Checking Software
- 2.8**      *Integrity Hotline Policy*
  - 2.8.1      Scope and Purpose
  - 2.8.2      Roles and Responsibilities
  - 2.8.3      Procedures for Handling Cases of Suspected Corruption

- 2.8.3.1 Reporting Questionable Conduct
- 2.8.3.2 Protection from Retaliation
- 2.8.3.3 Notifying Headquarters
- 2.8.3.4 Initial Assessment
- 2.8.3.5 Inquiry into Suspected Corruption
- 2.8.3.6 Internal Inquiry Report
- 2.8.3.7 Finalizing the Internal Inquiry Report
- 2.8.3.8 Recovery of Losses
- 2.8.3.9 Write-offs and Disallowances
- 2.8.3.10 Communications with Donors, External Auditors and Government Authorities

### **Section 3 - Cash Management and Banking**

#### **3.1 Office Cash**

- 3.1.1 General Cash Handling Policies
  - 3.1.1.1 Use of Safes
  - 3.1.1.2 Establishing Minimum and Maximum Cash On Hand
  - 3.1.1.3 Minimizing Cash Transactions
  - 3.1.1.4 Record Keeping
  - 3.1.1.5 Evidence of Receipt by Payee
  - 3.1.1.6 Periodic Cash Counts
  - 3.1.1.7 Currency Exchanges
- 3.1.2 Receipt of Cash by Mercy Corps Offices

#### **3.2 Bank Accounts**

- 3.2.1 Opening Bank Accounts
- 3.2.2 Ineligibility and Compliance Checking of Banks
  - 3.2.2.1 Mercy Corps Bank Accounts
  - 3.2.2.2 Vendor, Supplier, and Subgrantee Bank Accounts
- 3.2.3 Segregated Accounts
- 3.2.4 Signatories
  - 3.2.4.1 Adding Signatories
  - 3.2.4.2 Dual (Joint) Signatory Policy
  - 3.2.4.3 Deleting Signatories
  - 3.2.4.4 HQ Signatory
- 3.2.5 Payments by Check or Wire Transfer
- 3.2.6 Monthly Bank Reconciliation
- 3.2.7 Absence of Banking Services

#### **3.3 Operational Advances**

- 3.3.1 Operational Advance Methodologies
  - 3.3.1.1 Advances for Procurement
  - 3.3.1.2 Operational Advances to Sub-offices
  - 3.3.1.3 Office Cash Account or Operational Advance to a Sub-Office?
- 3.3.2 Requests for Operational Cash Advance
- 3.3.3 Operational Expense Report

- 3.4**      ***Cash Flow Planning***
- 3.4.1      Program Forecasting
- 3.4.2      Reporting Requirements
- 3.4.3      Monthly Funding Requests
- 3.4.4      Repatriating Cash

## **Section 4 - Payroll Systems**

- 4.1**      ***Purpose and Scope***
- 4.1.1      Authority of Human Resources Manuals
- 4.1.2      Legal and Taxation Considerations
- 4.1.3      Headquarters Authority
  
- 4.2**      ***Personnel Activity Reports***
- 4.2.1      Purpose
- 4.2.2      Format and Content
- 4.2.3      Approval and Submission
- 4.2.4      Submitting Approved Expatriate PARs to HQ
  
- 4.3**      ***Expatriate Staff Payroll***
- 4.3.1      Payroll Process
- 4.3.2      Documentation
- 4.3.2.1      Form 4.3B, Expatriate Payroll Allocation Report
- 4.3.2.2      Expatriate Taxable Benefits
  
- 4.4**      ***National Staff Payroll***
- 4.4.1      Determination of Pay
- 4.4.2      Timing
- 4.4.3      Payroll System
- 4.4.3.1      Preparation and Review of Monthly Payroll – Internally Prepared
- 4.4.3.2      Preparation and Review of Monthly Payroll – Externally Prepared
- 4.4.3.3      Accruing Monthly Payroll
- 4.4.3.4      Documenting Monthly Payroll and Taxes or Benefits Paid to the Government
- 4.4.4      Payment Method
- 4.4.5      Pay Slips
- 4.4.6      Allocating National Staff Compensation
  
- 4.5**      ***Employee Taxes and Benefits***
- 4.5.1      Expatriate Staff
- 4.5.1.1      Expatriate Staff Benefits Accruals
- 4.5.2      National Staff
- 4.5.2.1      National Staff Benefits Accruals
  
- 4.6**      ***Payroll Advances***
- 4.6.1      National Staff Payroll Advances
- 4.6.2      Expatriate Staff Payroll Advances

4.6.3 Recording and Clearing Advances

## **Section 5 - Consultants**

### **5.1 Purpose and Scope**

### **5.2 Consulting Agreements**

5.2.1 International Consultants

5.2.1.1 Initiating an International Consulting Agreement

5.2.2 National Consultants

### **5.3 International Consultant Fees**

### **5.4 Travel and Other Expenses**

5.4.1 Air Travel

5.4.2 Per Diem Rates – Meals and Incidental Expenses

5.4.3 Other Reimbursable Expenses

### **5.5 Advances to Consultants**

5.5.1 Advances on Payment of Services

5.5.2 Travel Advances

5.5.3 Operational Advances

### **5.6 International Consultant Invoices**

5.6.1 Required Elements

5.6.2 Authority to Pay

## **Section 6 - Travel Policies and Procedures**

### **6.1 Application and Scope**

### **6.2 General Policies**

6.2.1 Travel Approval

6.2.2 Accompaniment by Dependents

6.2.3 Personal Travel

### **6.3 International Travel**

6.3.1 Air Travel

6.3.1.1 Procurement of Air Tickets – Purchased with the HQ Contracted Travel Vendor

6.3.1.1.1 Personal Travel - Air Tickets – Purchased with the HQ Contracted Travel Vendor

6.3.1.2 Procurement of Air Tickets – Purchased by the Country Office with a Local Vendor

6.3.1.1.2 Personal Travel - Air Tickets by the Country Office with a Local Vendor

6.3.1.3 Class of Service

- 6.3.1.4 Routing
- 6.3.1.5 Security and Safety
- 6.3.1.6 Airline Ancillary Fees
- 6.3.1.7 Fly America Act
- 6.3.2 Business Travel Expenses
  - 6.3.2.1 Per Diems for Meals and Incidentals
  - 6.3.2.2 Other Reimbursable Expenses
    - 6.3.2.2.1 Accommodation/Lodging
    - 6.3.2.2.2 Ground Transportation
    - 6.3.2.2.3 Visas, Airport Taxes or Other Entry or Exit Fees
    - 6.3.2.2.4 Business-related Communications Costs
    - 6.3.2.2.5 Business Meals
  - 6.3.2.3 Personal Property
- 6.4 Local Travel**
  - 6.4.1 Authority of Local Policy
  - 6.4.2 Approval of Local Travel
  - 6.4.3 Local Per Diem Rates
- 6.5 Travel Advances**
- 6.6 Travel Expense Reports**

**Section 7-13** Reserved for future use.

**Section 14 - Cost Allocation**

- 14.1 Purpose and Scope**
- 14.2 Basic Cost Principles**
  - 14.2.1 Allowability
  - 14.2.2 Reasonableness
  - 14.2.3 Allocability
- 14.3 Basic Principles of Allocation**
  - 14.3.1 Levels of Allocation
  - 14.3.2 Basis for Allocation
  - 14.3.3 Budgeting Implications
  - 14.3.4 Documenting Allocations
  - 14.3.5 Pool Accounts
- 14.4 Calculating Allocations**
- 14.5 Methodologies by Cost Category**
  - 14.5.1 Salaries and Wages
  - 14.5.2 Staff Benefits
  - 14.5.3 Travel Expenses

- 14.5.4 Facilities Costs
- 14.5.5 Equipment
  - 14.5.5.1 Small Equipment
  - 14.5.5.2 General Equipment
  - 14.5.5.3 Capital Equipment
- 14.5.6 Communications
- 14.5.7 Supplies
- 14.5.8 Vehicle Operating Expenses
- 14.5.9 Banking and Other Financial Fees
- 14.5.10 Program Expenses
- 14.5.11 Credits

**Section 15** Reserved for future use.

## **Section 16 - Closing Cycles and Headquarters Reporting**

- 16.1** *Closing Cycles*
  - 16.1.1 Fiscal Year Closing
  - 16.1.2 Monthly Closing
- 16.2** *Reporting Requirements to Headquarters*

## **Section 17 - Record Keeping and Archiving**

- 17.1** *Purpose and Scope*
- 17.2** *General Policies*
  - 17.2.1 Responsibility for Record Keeping
  - 17.2.2 Transparency
  - 17.2.3 Safeguarding Records
  - 17.2.4 Original Documents
- 17.3** *Record Keeping Procedures*
  - 17.3.1 Filing Systems
    - 17.3.1.1 Filing Systems – General Standards
    - 17.3.1.2 Organizing Records by Fiscal Year
  - 17.3.2 Current Records
- 17.4** *Archiving Procedures*
  - 17.4.1 When to Archive Financial Records
  - 17.4.2 Archived Record Boxing Protocol
    - 17.4.2.1 Archiving by Fiscal Year
    - 17.4.2.2 Archive Box Labels

- 17.4.2.3 Archive Box Numbering
- 17.4.3 Finance Records Archive Index
- 17.4.4 Missing Financial Records
- 17.4.5 Record Retention and Destruction
- 17.4.6 Closed Offices

**17.5 *Records Retention Policy***

- 17.5.1 Permanent Records
- 17.5.2 Non-Permanent Records
  - 17.5.2.1 Minimum Retention Period
  - 17.5.2.2 Destroying Non-Permanent Records
  - 17.5.2.3 Assigning a Destruction Date
- 17.5.3 Approval to Destroy Records
- 17.5.4 Destroying Records in an Emergency

**Section 18 - Security**

**18.1 *Authority of the Field Security Manual***

**18.2 *Cash Policies***

- 18.2.1 Movement of Cash
- 18.2.2 Mitigating the Risk of Cash Movements
  - 18.2.2.1 In-office Payments
  - 18.2.2.2 Reducing Predictability
  - 18.2.2.3 Discretion
  - 18.2.2.4 Checks or Bank Transfers
  - 18.2.2.5 Money Traders

**18.3 *Emergency Cash***

**18.4 *Finance Considerations for Evacuation Planning***

**18.5 *Emergency Preparedness Planning***

**Appendix 1-3** Reserved for future use.

**Appendix 5 – Forms Library**

**Appendix 6 – Chart of Accounts**

**Appendix 17 – Recommended Finance Filing System**



## **1 Introduction**

### ***1.1 Purpose and Scope***

The purpose of this manual is to provide a standardized set of policies and procedures for financial management and accounting in Mercy Corps field offices. Field offices are expected to comply with the policies and procedures set forth in this manual and are encouraged to seek clarification if questions arise.

Field offices, including satellite or sub-offices, must maintain a printed copy of the manual for reference.

### ***1.2 Finance Manual Control***

Authority over this manual rests with the Chief Financial Officer and the Finance Compliance and Training Manager. Field offices are encouraged to provide input, suggestions and corrections, but may not alter or change any part of the manual. Suggestions or requests for changes should be addressed to the Finance Compliance and Training Manager at Portland Headquarters.

Periodically, the manual will be updated to reflect current circumstances as well as new policies and procedures. Field offices will be notified of updates by e-mail and directed to the Mercy Corps Digital Library to access the revised sections. The Digital Library will always reflect the most current version of the manual. Finance managers should contact the Mercy Corps Digital Librarian or HQ Finance for assistance in accessing the Digital Library if needed.

### ***1.3 Country Office Supplementary Manuals***

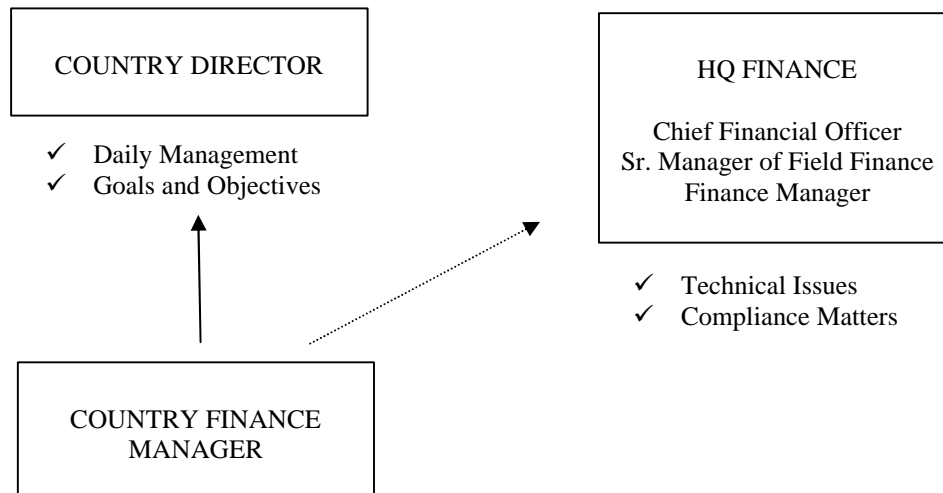
Since Mercy Corps works in a large number of locations throughout the world, this manual cannot take into account all situations that may occur in the field. Field offices may find the need to develop specific policies and procedures that take into account the organizational structure in the office, geographic considerations, or other unique circumstances. This manual also identifies areas where field offices are required to develop local policies or procedures.

Local policies and procedures may be compiled in a Country Office Finance Manual. The country office manual may not supersede this manual, but should be considered a supplement. Country office finance manuals must be reviewed by HQ Finance and approved by the Finance Compliance and Training Manager and Senior Manager of Field Finance.

### ***1.4 Finance Roles and Responsibilities***

### 1.4.1 Organizational Structure and Accountability

In the Mercy Corps organizational structure, the Country Finance Manager is directly accountable to the Country Director. Finance managers will, however, work closely with HQ Finance and will have a dotted-line reporting to HQ on technical and compliance matters. The authority for all technical finance, accounting and compliance matters rests with HQ Finance.



The most senior finance employee in all country offices must be screened for technical competency by HQ Finance prior to being hired. The Chief Financial Officer and Senior Manager of Field Finance must be notified by the Country Director of the termination of any finance manager in the field.

The Country Finance Manager or Country Director is also required to inform HQ Finance prior to any in-country audits, including government, donor or other audits. Field offices must promptly provide copies of any audit report, both preliminary and final, to HQ Finance and HQ Program Management.

### 1.4.2 Roles and Responsibilities – HQ and Field

Both HQ Finance and country finance managers serve as a technical support function to the Program Department. HQ and the field are expected to work as a team to provide effective and efficient support to Mercy Corps' programs.

It is also the responsibility of both groups to ensure that Mercy Corps policies as well as donor regulations are strictly followed. Country finance managers are accountable for compliance in their field offices and are required to notify HQ Finance of any non-compliance situations that

cannot be resolved in the field.

In general terms, the role of the Country Finance Manager is to:

1. Manage all accounting and finance functions in the field office and submit regular reports as required to HQ Finance.
2. Develop local policies and procedures to ensure the proper management of Mercy Corps' financial resources.
3. Generate internal financial reporting, including all management reporting to the Program Department.
4. Ensure daily compliance at the field level with Mercy Corps policies and procedures as well as donor regulations.
5. Provide daily grant management support, including developing grant budgets and monitoring spending to ensure compliance with the budget and to prevent overspending or underspending.
6. Maintain and enhance financial systems in field offices.
7. Comply with any in-country audit requirements and support HQ Finance in the annual organizational audit.

The role of HQ Finance is to:

1. Review field financial data for accuracy and completeness and consolidate Mercy Corps worldwide financials.
2. Develop organization-wide policies and procedures to ensure the proper management of Mercy Corps' financial resources.
3. Generate external financial reporting, including donor reports and other statutory reporting requirements.
4. Ensure overall compliance with Mercy Corps policies and procedures as well as donor regulations.
5. Provide overall grant management support, including maintaining fund balance records, managing funds flow between Mercy Corps and the donor, developing indirect cost rates and reviewing proposal budgets and agreements.
6. Provide training and set-up of financial systems in field offices.

Mercy Corps  
Field Finance Manual

*Section 1 – Introduction*

*Effective: 2/1/04*

7. Manage the annual organizational financial audit and provide support to field offices as needed for local audits.

### **2.1 Purpose and scope**

As a non-profit, humanitarian organization, Mercy Corps places great importance on the efficient, effective and proper use of resources. It is a key responsibility of the Finance Department to ensure that financial resources are managed appropriately and that adequate controls over these resources are maintained to prevent misuse.

Internal controls are the fundamental building blocks in developing financial systems that are effective and consider potential risks. Internal controls should be purposeful in addressing risks, but should not unnecessarily restrict activities.

The primary objectives of internal controls are:

- To verify the efficiency and effectiveness of operations.
- To ensure the reliability and completeness of financial and management information.
- To comply with applicable laws, regulations, policies and agreement provisions.
- To document and support the validity and authorization of financial transactions.
- To safeguard resources.

Internal controls should be embedded throughout all phases of the accounting and financial management process. Specific applications will be described in the appropriate sections of this manual, but field offices should consider integrating controls as applicable in locally developed policies.

## **2.2 Key Elements of Internal Control**

The following elements define proper internal controls. When developing local controls, a thorough understanding of the process as well as the potential risks is necessary. The documentation and training of policies and procedures are also key follow-up steps.

1. Transparency – Information should be clearly and accurately reported and readily available for all that need it to make decisions or to assess organizational or programmatic performance.
2. Simplicity – Country offices can reduce the chance for errors or fraud if procedures are simple, clear, documented and well communicated to employees.
3. Accountability – Employee accountability should be ensured at all levels of authority.
4. Security – Physical assets should be protected from harm or misuse.
5. Cost-effectiveness – The benefits derived from internal controls should be proportional to their cost as well as the potential risk they are designed to address.

### **2.3 Basic Internal Controls**

The following concepts and practices comprise a basic list of internal controls that field offices should consider when developing local procedures or assigning roles and responsibilities.

1. Segregation of duties - Responsibilities in a process should be separated and delegated to several employees rather than entrusted to one employee, with the goal of providing a system of checks and balances to prevent errors or dishonest behavior. For example, an accountant who is responsible for record keeping should not also be responsible for selecting vendors since the opportunity exists to hide fraudulent transactions.
2. Signature requirements – By requiring signatures, unauthorized transactions are prevented and accountability is established. For example, a purchase request signed by the program manager ensures that he or she is aware of the purchase and accepts the subsequent charge to the program.
3. Physical controls - Measures should be taken to verify the existence of assets reported on the country office's books and records, such as an annual equipment inventory.
4. Monitoring and independent checks – Cross-checks and management spot checks should be made to ensure that policies and procedures are followed. Some examples would be a monitoring visit to a program site, an internal audit of a field office or a surprise cash count.
5. Dual controls – Double-checks or reviews should be performed to ensure that critical decisions, high-value transactions or external reports are substantially correct. For example, bank transactions should be made only upon the authorization of two parties and external financial reports should always be reviewed by a second person for accuracy.
6. Computer-related controls – Access to computer records should be restricted and the back up of key information should be performed. Access to financial system files, for example, should be restricted to prevent intentional or unintentional changes to data.
7. Fixed responsibility for resources - Access to resources should be restricted to specific individuals and those individuals should have authority over those resources. For example, only a limited number of employees should have keys to the cash box. The cashier should have exclusive access during the work day to ensure accountability.
8. Regular and timely reporting - Accounting and reporting functions should be specifically assigned to staff members and employees should be held accountable for timely and accurate reporting. Completion of functions should be documented with appropriate working papers that are available for inspection and are verifiable through signatures and dates.
9. Independent confirmations - Internally generated reports and documents should be reconciled to independent sources of information and proofs of accuracy should be performed on work at various stages of completion. An example would be reconciling the bank journal balance to an account statement obtained from the bank.
10. Manuals - Policies and procedures should be written to provide a clear understanding of functions and authorities.

## 2.4 Segregation of Duties

Segregation of duties is defined as the appropriate division of tasks and responsibilities such that no one person controls a process from beginning to end and that transactions are reviewed independently at various points during the process. It is a “checks and balances” approach designed to easily identify errors, discrepancies or fraud. Individuals assigned to the various tasks in a process should be independent of each other both in function and relationship.

### 2.4.1 Segregation of Duties Matrix

Because the segregation of duties is a critical internal control and a lack of separation may not always be apparent, field offices are required to complete and submit **Form 2.4A, Segregation of Duties Matrix** on an annual basis with the fiscal year-end reporting package for each office and sub-office. While the form must be submitted to HQ at fiscal year closing only, the matrix may be used to help guide the assignment of new staff or when roles and responsibilities change.

The matrix contains a breakdown of financial and administrative processes on one axis and list of job titles on the opposite axis. The job titles and tasks should be added or customized for each office to ensure that all critical financial processes are taken into account. A check mark, or the name of the individual if there is more than one person in the position, should be placed in the intersecting boxes. When the form has been completed, the Country Finance Manager and Country Director should review the results and make appropriate adjustments in duties if necessary to ensure that adequate separation exists in key functions. Any apparent lack of segregation and any compensating control measures should be explained and submitted with the form. HQ Finance may be contacted for assistance in developing compensating control measures.

### Example – Sample Portion of Form 2.4 A:



**Segregation of Duties Matrix**  
Field Finance Manual - Form 2.4 A

Country Program: Sample Country Program  
 Field Office: Sample Office  
 Effective Date: 7/1/2006

T A S K S	Position	Country Director	Finance Manager	Finance Officer	Cashier	Administration Manager	Procurement Officer	Program Manager 1
	Enter Name(s) ---->	Anita	Raphael	Anna	Yuri	Mohammed	George	Nabil
<b>FINANCIAL MANAGEMENT</b>								
<b>A. Cash Flow Management</b>								
1	Cash Flow Report (Form 3.4A):							
	Prepares			X				
	Reviews		X					
2	Transfer Requests to HQ (Form 3.4 B):							
	Prepares		X					
	Approves	X						
<b>B. Banking</b>								
1	Signature authority at bank	X	X			X		X
2	Authorized to add or delete signatories	X						
3	Withdrawals:							
	Prepares documentation			X				
	Approves	X	X					
	Performs				X			

*(Partial sample only)*



## **2.5 Approval Authority**

Another critical internal control that must be developed and documented for each field office is the Approval Authority Matrix. This schedule defines the individuals authorized to approve activities or transactions at various levels.

The importance of a well-defined approval authority matrix cannot be over-emphasized since it eliminates confusion over roles and responsibilities and ensures accountability at all levels. Assigning levels of authority should be considered carefully as too wide an authority may not provide enough control and too strict an authority may create unnecessary administrative bottlenecks.

### **2.5.1 Responsibility for Assigning and Enforcing Authorities**

It is the responsibility of the Country Director to assign approval authorities and levels for each field office. Certain authorities must be reserved for Headquarters (detailed in Section 2.5.4). Other authorities may be held only by the Country Director (defined in 2.5.5.1). All other authorities may be assigned at the Country Director's discretion.

The Country Finance Manager is responsible for preparing and maintaining the Approval Authority Matrix based on the delegation of authorities assigned by the Country Director. The Country Finance Manager shall maintain a file of all current and superseded versions as well as any short-term letters of delegation during temporary absences of key authority holders. The Country Finance Manager must ensure that copies of current approved versions are sent to field offices (heads of office as well as finance officers).

It is critical that an employee is informed of his or her level of authority when employment begins and when changes are made to the authority. The employee's supervisor must convey this information, with the ultimate responsibility for informing employees resting with the Head of Office and Country Director.

The Country Finance Manager, supported by the Country Director, has responsibility for enforcing approval authority. This is an important function of the financial review of all pre-approval requests, commitments or payment documents. Payments may not be made until the proper authority has been secured and any discrepancies are resolved. The Country Finance Manager is responsible for referring matters back to HQ where approval authority is unclear or when assistance is needed in resolving issues in this area.

#### **2.5.1.1 Assigning Temporary Authorities**

Revisions to the Approval Authority Matrix should only be made for permanent changes to authorities. For short-term, temporary absences of an authority holder (defined as two weeks or less) the next level of authority should be sought for approvals that the absent party would have normally made.

For longer-term absences (defined as greater than two weeks, such as for home leave or temporary duty assignments), a memo may be written by the authority holder or the Head of Office to temporarily delegate the authority of the absent party. Temporary delegation of authority memos must specify the effective date and expiration date. The memo must be sent to the Country Director for written approval and forwarded to the Country Finance Manager for archiving and distribution. Delegation of the Country Director's authority must be approved in writing by the Regional Program Director. In the absence of a written temporary delegation of authority, approvals must be sought from the next level of authority.

### 2.5.2 Responsibilities of Approval and Review Authorities

It critical that approval authority holders not only understand what their authority levels are, but also what their responsibilities are in using their authority. The responsibilities for both approval authority holders and financial review are outlined below.

#### **Approval Authority**

By approving an expenditure, commitment or payment, the signer is confirming that:

1. the expenditure is necessary and appropriate;
2. the item is not currently in stock;
3. the technical specifications are correct and adequately detailed;
4. the required forms are complete;
5. funds are available within the budget;
6. the expenditure is in compliance with Mercy Corps policies and procedures.

Financial review is a compliance check and not an approval authority. The primary purpose of financial review is to ensure that all financial and compliance aspects of the commitment are considered. The role of financial review may be delegated, but should be performed by a party who is competent to fulfill the review responsibilities. In no case shall the same person perform both the approval function and the financial review function.

#### **Financial Review**

By signing for financial review, the reviewer is confirming that:

1. the expense has been authorized according to the Approval Authority Matrix;
2. the expenditure is within budget guidelines;
3. the expenditure is in compliance with Mercy Corps and donor policies;
4. the expense has been coded correctly;
5. the calculations are correct;
6. the required supporting documentation is in order and adequately explains the transaction.

### 2.5.3 Local and Remote Approvals

An original signature on an original document is the preferred method of documenting an approval or review. Accordingly, when authority holders are located in the office where an approval is required, the original document must be approved in writing with an original signature.

When the authority holder is not located in the office where an approval is required due to a temporary absence, the next level of authority in that office should be sought for approvals that the absent party would have normally made (see also Section 2.5.1.1 for procedures on assigning temporary authorities).

When the authority holder is permanently located outside of the office where an approval is required, an approval via e-mail is acceptable. E-mail approvals shall adhere to one of the following procedures, in order of preference:

1. Scanned Signature - Whenever possible, the document to be signed should be printed, signed and scanned and the scanned copy should be sent back to the office requiring the approval. The scanned document must then be printed and attached to the original. In the space provided for the signature on the original document, “E-mail Approval Attached” must be written in lieu of the signature.
2. E-mail Confirmation - When scanning is not possible, an e-mail from the authorized party should be sent back to the party requesting approval clearly confirming the approval and the total amount approved. The finance officer or finance manager in the office seeking the remote approval should be copied on the approval e-mail. The e-mail must then be printed and attached to the original document. In the space provided for the signature on the original document, “E-mail Approval Attached” must be written in lieu of the signature.

Using blank, pre-signed documents, signature stamps or other approval methods which cannot be reasonably safeguarded is prohibited, except when necessary for security reasons or when approved in advance by the Vice President of Program Operations or the Chief Financial Officer.

### 2.5.4 Headquarters Authorities

The following authorities are reserved for headquarters and are either delegated through the HQ Approval Authority Matrix or defined by processes described elsewhere in this manual or in HQ manuals. This table is not intended to fully describe those procedures, but instead to provide a reference for field offices when developing local authorities.

<b>Headquarters Authorities</b>	
<b>Type of Commitment</b>	<b>Authority Holders</b>
<p><b>1. Grant Agreements (Funding Agreements)</b></p> <ul style="list-style-type: none"> <li>• <u>Includes all donor funding mechanisms, at any level of funding</u>, such as Grants, Cooperative Agreements, Memos of Understanding (MOUs), Contracts (including IQCs and Task Orders), Donor Agreements, Awards of Funding, etc., as well as any modifications thereto.</li> <li>• All funding agreements are routed through the HQ Program Department.</li> <li>• All funding agreements require HQ financial review and should reflect input from the country finance manager.</li> </ul>	<p><b>Signing Authority:</b> HQ Board Authorized Signer (Portland or Mercy Corps Scotland)</p> <p><b>Financial Review:</b> HQ Regional Finance Officer (Portland); International Finance Officer (Mercy Corps Scotland)</p>
<p><b>2. Subgrant Agreements</b></p> <ul style="list-style-type: none"> <li>• Subgrant agreements with <b>U.S. NGOs</b> are signed in Portland HQ by a Board Authorized signer.</li> <li>• Subgrant agreements with <b>U.S., International and Local NGOs</b> having a value of \$1,000,000 or greater (and modifications which increase the total agreement value to \$1,000,000 or greater) must be reviewed by the HQ General Counsel prior to signing.</li> <li>• See Section 11 of the Field Finance Manual for complete information on subgrant processing. Subgrant agreements over \$100,000 funded by USG or private donors are drafted by the Finance Training and Compliance department.</li> <li>• All subgrant agreements require financial review.</li> </ul>	<p><b>Approval:</b> Defined in the country program Approval Authority Matrix</p> <p><b>Signing Authority:</b></p> <ul style="list-style-type: none"> <li>➤ Defined in the country program Approval Authority Matrix for local and intl. NGOs;</li> <li>➤ All subgrants to U.S. NGOs are signed in Portland HQ by a Board Authorized Signer</li> </ul> <p><b>Legal Review:</b> HQ General Counsel</p> <p><b>Financial Review:</b> Country Finance Manager</p>
<p><b>3. Contract Review</b></p> <ul style="list-style-type: none"> <li>• The following documents require review by the Portland General Counsel to ensure that the legal interests of Mercy Corps are adequately protected. <u>Review must occur prior to the execution of any agreement.</u> <ul style="list-style-type: none"> <li>➤ <i>All contracts and Memoranda of Understanding (MOUs) with U.S., International or Local NGOs having a value of \$1,000,000 or greater (or modifications which increase the total agreement value to \$1,000,000 or greater).</i></li> <li>➤ <i>All contracts or leases with vendors or suppliers having a value of \$1,000,000 or greater (or modifications which increase the total agreement value to \$1,000,000 or greater).</i></li> </ul> </li> </ul>	<p><b>Approval:</b> Per country office Approval Authority Matrix</p> <p><b>Signing Authority:</b> Per country office Approval Authority Matrix</p> <p><b>Legal Review:</b> HQ General Counsel</p> <p><b>Financial Review:</b> Country Finance Manager</p>

<b>Headquarters Authorities</b>	
<b>Type of Commitment</b>	<b>Authority Holders</b>
<p><b>4. Hiring of Expatriate Staff</b></p> <ul style="list-style-type: none"> <li>• Employees who are citizens of any country other than the host country, <u>regardless of residency</u>, are considered to be expatriate employees.</li> <li>• Expatriate employees who are citizens of the United Kingdom or who must meet eligibility requirements established by European donors are hired through Mercy Corps Scotland. All other expatriates are hired through Mercy Corps Portland.</li> <li>• All Letters of Offer are prepared by HQ Human Resources and are signed at HQ.</li> </ul>	<p><b>Approval:</b> Vice President of Program Operations or Regional Program Director</p> <p><b>Signing Authority:</b> Executive Counselor (Portland) or as delegated; Executive Director or Chairman of the Board (MC Scotland)</p> <p><b>Financial Review:</b> HQ Regional Finance Officer (Portland); Intl. Finance Officer (MC Scotland)</p>
<p><b>5. International Consulting Agreements</b></p> <ul style="list-style-type: none"> <li>• All consulting agreements for citizens of any country other than the host country, <u>regardless of residency</u>, are considered to be international consulting agreements.</li> <li>• Section 5 of this manual, as well as materials available on the Digital Library, govern this process.</li> <li>• <u>International consulting agreements are routed through the Consulting Agreement Coordinator in the Portland HQ HR Dept.</u> Consultants who must meet eligibility requirements for European grants are hired through MCS.</li> </ul>	<p><b>Approval:</b></p> <ul style="list-style-type: none"> <li>➤ Regional Program Director for all grant-funded consultants or consultants funded from an approved core funds budget;</li> <li>➤ All other by SVP of Program, Director of Program Operations or Sr. Director of TSU</li> </ul> <p><b>Signing Authority:</b> Chief Financial Officer; (MCS authorized party for MCS agreements)</p> <p><b>Financial Review:</b> HQ RFO; (Intl. Finance Officer for MCS)</p>
<p><b>6. Expatriate Benefits</b></p> <ul style="list-style-type: none"> <li>• Expatriate benefits and eligibility rules for these benefits are defined in the <b>Handbook for Foreign-Assigned Staff</b>, which is maintained by HQ Human Resources and available on the Digital Library.</li> </ul> <hr style="border-top: 1px dashed black;"/> <ul style="list-style-type: none"> <li>• <u>Insurance, pension plan, medical evacuation, settling-in allowances, storage payments, shipping, excess baggage and relocation travel are processed at HQ only.</u> Any exceptions for payment in the field must be arranged in advance with the HQ Regional Finance Officer (RFO). No exceptions for payments in the field will be made for insurance, pension plan or medical evacuation.</li> </ul> <hr style="border-top: 1px dashed black;"/> <ul style="list-style-type: none"> <li>• <u>Housing, home leave travel, dependent education, expatriate taxation payments and R&amp;R (rest and relaxation) travel may be approved in field offices.</u></li> <li>• Expatriate taxation payments MUST be reviewed prior to payment by the HQ Regional Finance Officer (RFO).</li> </ul>	<p><b>Approval:</b> Per HQ Approval Authority Matrix</p> <p><b>Financial Review:</b> HQ Regional Finance Officer or MCS Intl. Finance Officer</p> <hr style="border-top: 1px dashed black;"/> <p><b>Approval:</b> Per country office Approval Authority Matrix</p> <p><b>Financial Review:</b> HQ RFO for expatriate taxation; Country Finance Manager for all other</p>

Headquarters Authorities	
Type of Commitment	Authority Holders
<p><b>7. Unbudgeted Core Funds Expenditures</b></p> <ul style="list-style-type: none"> <li>• <u>Unbudgeted core funds expenditures require PRIOR APPROVAL and are charged to HQ cost centers only.</u></li> <li>• Unbudgeted core funds expenditures are any expenses which are not part of a funded grant agreement or contract, or are not part of an approved private funds budget (including annual core funds budgets or emergency/restricted appeal budgets).</li> <li>• When not specifically approved in a funded grant agreement or a private funds budget, capital expenditures (items with a useful life greater than one year and a unit cost of \$5k or greater) are considered unbudgeted and require prior approval.</li> <li>• When such expenditures are incurred in the field, e-mail approval by the authorized party is acceptable and the expense is charged through the intercompany process. A copy of the e-mail approval must be included in the monthly accounting package to HQ.</li> </ul>	<p><b>Approval:</b></p> <ul style="list-style-type: none"> <li>➤ Up to \$5,000 per transaction by the Regional Program Director (subject to an annual cap defined by Vice President of Program Operations)</li> <li>➤ Up to \$5,000 per transaction by the Vice President of Program Operations;</li> <li>➤ Over \$5,000 per transaction by the President and Chief Financial Officer</li> </ul>
<p><b>8. Facility Leases</b></p> <ul style="list-style-type: none"> <li>• All facility leases <u>where the term of the lease (i.e. end date) exceeds the end date of approved funding for that facility</u> (from either a grant agreement or approved private funds budget) are considered <b>unbudgeted core funds commitments</b> and follow the same policies as outlined in item 7 above.</li> </ul>	<p><b>Approval:</b>  <b>See item 7 above</b> for approval authorities for unbudgeted core funds commitments.</p>

2.5.5 Approval Authority Matrix

**Form 2.5A, Approval Authority Matrix** must be completed for all field offices and sub-offices. This form outlines the key transactions and functions for which approval must be sought, who has the authority to approve the transaction and up to what level, and provides sample signatures. The matrix, or any changes to the matrix, must be approved by the Country Director and a revised copy must be sent to the HQ Regional Finance Officer with the monthly financial package.

Field offices should add lines and descriptions of commitments as appropriate for the types of programs, the staffing structure and categories of expenditures. The Approval Authority Matrix may differentiate between approvals required at the pre-approval stage (e.g. purchase requests, personnel requisitions, etc.), the commitment stage (e.g. contracts, purchase orders, leases, etc.) or at the payment stage (e.g. invoice approval, periodic payments under an approved lease, etc.). Any such differentiations must be outlined in the matrix and must still respect the general policies outlined in this section.

The shaded lines in Form 2.5A define authorities that are reserved for Headquarters and may not be changed.

A sample Approval Authority Matrix is shown at the end of the subsection. In addition, the electronic version of Form 2.5A, available on the Digital Library, contains a sample matrix on the second tab of the Excel file.

#### 2.5.5.1 General Approval Authority Matrix Policies

The following general policies must be respected when developing the Approval Authority Matrix for each field office.

##### 1. Country Director Authority

- a. Country Directors have unlimited authority for expenditures and commitments within their funded grant budgets or an approved private funds budget up to the authorities reserved for HQ as outlined in Section 2.5.4. Unlimited authority within a grant budget or private funds budget may not be permanently delegated and must be reserved only for the Country Director.
- b. Country Directors have no authority for unbudgeted core funds expenditures. An unbudgeted core funds expenditure is any expense which is not part of a funded grant agreement or contract, or is not part of an approved private funds budget. (See Section 2.5.4 for unbudgeted core funds expenditure authorities.)
- c. The following expenditures and commitments incurred for the Country Director must be approved by the Regional Program Director. E-mail approvals are acceptable in accordance with Section 2.5.3.
  - All Travel Approval/Advance Requests (**FFM Form 6.5A**) and Travel Expense Reports (**FFM Form 6.6A**) for international travel. *Note: regional and in-country travel may be self-approved.*
  - Housing leases for Country Directors. *Note: regular monthly rent payments under approved leases as well as regular monthly housing expenses may be self-approved.*
  - Personnel Activity Reports, **Form FFM 4.2A** or **Form FFM 4.2B** (timesheets) for Country Directors.
- d. All vehicle purchases must be approved by the Country Director whether funded under an approved grant budget or a private funds budget.
- e. Employment contracts should generally be signed only by the Country Director or the Head of Office in a satellite office.

##### 2. Transaction Approvals

Mercy Corps  
Field Finance Manual

**Section 2 – Internal Controls**

**Effective: 01/01/2010** (supersedes 9/1/06)

- a. Approval authorities may only be held by employees of Mercy Corps. Any exceptions must be approved by the Vice President of Program Operations, President or Chief Financial Officer.
  - b. Program managers should have some level of approval authority for project expenditures for the programs that they manage.
  - c. Administration managers or Heads of Office should have authority over general administrative expenses shared over all programs.
  - d. Country finance managers have no authority for expenditures, except budgeted expenses for the Finance Department such as supplies, small equipment, etc. This is because the Finance Department's function is to provide financial review. In no case shall the same person perform both the approval function and the financial review function.
  - e. Procurement staff may not hold any approval authority for goods or services, including the authority for purchase requests, commitments or payments, since this violates basic segregation of duties principles. The exception is budgeted expenses for the Procurement Department such as supplies, small equipment, etc.
  - f. The following forms should always be approved by the employee's supervisor or the next level of departmental authority:
    - Personnel Activity Reports, **Form FFM 4.2A** or **Form FFM 4.2B** (timesheets)
    - Travel Approval/Advance Requests, **Form FFM 6.5A**
    - Travel Expense Reports, **Form FFM 6.6A**
3. Financial Review
- a. All financial commitments must be reviewed by a representative of the Finance Department as a means of providing a compliance check (see Section 2.5.2 for the responsibilities of financial review.)
  - b. This function may be delegated to an administrative or office manager when no finance staff is located in an office, except that no expenditure may be approved by one person only. The party performing the review must be able to fulfill the responsibilities outlined in Section 2.5.2.



**Mercy Corps**  
**Field Finance Manual**  
*Section 2 – Internal Controls* **Effective: 01/01/2010** (supersedes 9/1/06)

**Example – Form 2.5A:**



**Approval Authority Matrix**  
 Field Finance Manual - Form 2.5A

<b>Country Program:</b>	<b>Sample</b>	<b>Approved By:</b>
<b>Office Location:</b>	<b>Sample</b>	<i>Country Director 7/1/06</i>
<b>Effective Date:</b>	7/1/06	<i>signature / date</i>

(Please note that shaded areas may not be altered.)

Type of Commitment	Cost Center(s)	Level (USD)	Level (Local Cur)	Title	Name	Sample Signature
<b>Budgeted Expenditures (Except Vehicle Purchases)</b>						
All Expenses	All	Unlimited up to budget	Unlimited up to budget	Country Director/ Country Rep		
All Expenses	All	up to \$50,000 per transaction	up to 40,000 Euro per transaction	Deputy Country Director		
Administrative Expenses (office supplies, office furniture, small equipment, facility maintenance)	All	up to \$2,500 per transaction	up to 2,000 Euro per transaction	Administration Manager		
Vehicle Fuel and Maintenance	All	up to \$2,500 per transaction	up to 2,000 Euro per transaction	Logistics Manager		
Program Expenses	111	up to \$10,000 per transaction	up to 8,000 Euro per transaction	Senior Program Manager		
Program Expenses	444	up to \$5,000 per transaction	up to 4,000 Euro per transaction	Program Manager		
Microcredit Program - Private Funds	666	up to \$10,000 per transaction	up to 8,000 Euro per transaction	Microcredit Advisor		
<b>Unbudgeted Expenditures (except Vehicle Purchases)</b>						
All Unbudgeted Expenses	All	All	All	President and Chief Financial Officer		
All Unbudgeted Expenses	All	up to \$5,000 per transaction	local currency equivalent	Senior Vice President of Program or Regional Program Director		
<b>Personnel Costs and Consulting Agreements</b>						
Expatriate Employment Offers	All	All	All	Administered by HQ Human Resources		
Expatriate Benefits Expenses (insurance, pension plan, medical, settling-in allowance, storage, shipping, relocation travel, excess baggage)	All	All	All	Administered by HQ Human Resources		
International Consultant Agreements	All	All	All	Administered by HQ Human Resources		
National Staff Employment Contracts	All	All	All	Country Director		
Monthly Natl. Staff Payroll Expense	All	up to \$10,000	up to 8,000 Euro	Administration Manager		
<b>Grant Agreements and Subgrant Agreements</b>						
Grant Agreements	All	All	All	Signed in Headquarters (Portland or Scotland) by a board-authorized signer only		
Subgrant Agreements to U.S. NGOs	All	All	All	Signed in Portland Headquarters by a board-authorized signer only		
Legal Review - Subgrants to U.S. or International NGOs	All	> \$100,000 in value	local currency equivalent	HQ General Counsel		
Legal Review - Subgrants to local NGOs	All	> \$350,000 in value	local currency equivalent	HQ General Counsel		
<b>Contracts, Leases or Rental Agreements</b>						
Contracts, MOUs, Agreements - Legal review prior to signing	All	> \$350,000 in value	local currency equivalent	HQ General Counsel		
Facility Leases	All	when the lease term exceeds grant funding by up to \$5k	local currency equivalent	Senior Vice President of Program or Regional Program Director		
Facility Leases	All	when the lease term exceeds grant funding by greater than \$5k	local currency equivalent	President and Chief Financial Officer		
Contracts, Facility Leases and Rental Agreements	All	Unlimited within approved funds	Unlimited within approved funds	Country Director		

*(Partial sample only)*

## **2.6 Letters of Authority / Letters of Revocation**

### **2.6.1 Letters of Authority**

A Letter of Authority (LOA) is a legal document that authorizes the named person to carry out certain described activities on behalf of Mercy Corps. LOAs are generally issued to the Country Director to enable him or her to manage Mercy Corps' day-to-day operations in-country. In keeping with Mercy Corps' tradition and in response to the sometimes hard-to-foresee needs in the field, LOAs typically provide country directors with broad authorization to act on behalf of the organization. More limited LOAs may be issued to other employees for specific activities.

While LOAs provide broad authority to facilitate legal matters in-country, LOAs must not be interpreted as blanket authority to allow Country Directors or other parties to exceed approval authorities or to override policies or procedures as outlined in this manual or other Mercy Corps manuals. LOAs apply within the context of Mercy Corps' standard operational policies.

### **2.6.2 Letters of Revocation**

A Letter of Revocation (LOR) is an official notice that a Letter of Authority has been revoked. It is typically presented to a third party (such as a bank) to alert that party to no longer honor a previously-issued LOA.

### **2.6.3 Issuing Letters of Authority and Letters of Revocation**

LOAs and LORs may only be issued by the Vice President of Program Operations, Chief Financial Officer or other Board-Authorized Signatory of the organization. Letters of Authority on behalf of Mercy Corps Scotland are issued by the Chairman of the Board. Requests for Letters of Authority should be directed to the HQ Program Officer in Portland or Edinburgh as appropriate.

It may be necessary from time to time for a Country Director to delegate authority in-country. This may be done in the form of a memo acceptable to the third party requesting the LOA. A Country Director may not delegate any authorities that were not included in his or her LOA. In-country LOAs may be issued only to Mercy Corps employees. Any exceptions must be pre-approved by the Vice President of Program Operations, Chief Financial Officer or other Board-Authorized Signatory of the organization.

### **2.6.4 Authorized Use of Letters of Authority**

Anyone acting under an LOA should:

- Ensure that the proposed action is consistent with the authorization language in the LOA
- Ensure that the proposed action has also met any other authorization requirements that may be applicable (i.e., are other approvals needed pursuant to your position description or Mercy Corps policy manuals?)
- Not utilize the LOA outside of the country for which the LOA was issued

### 2.6.5 Tracking Letters of Authority

The Country Director is responsible for tracking all situations in which an LOA is utilized in-country. This includes not only the LOA issued to the Country Director but also any in-country LOAs utilized by anyone else who reports to him or her. When an employee holding an LOA is re-assigned or resigns from the organization, the original LOA must be returned to HQ Human Resources. The new Country Director is responsible for ensuring that an appropriate LOR is issued and distributed in-country as necessary.

## ***2.7 Ineligibility and Compliance Checking Policy***

It is Mercy Corps' policy to comply with the laws and regulations of the United States, the European Union and the United Kingdom concerning the ineligibility of vendors, contractors, suppliers, subgrantees and employees for reasons of fraud, corruption or terrorist activity. These laws and regulations prohibit Mercy Corps from doing business with or providing support to any persons or entities that have been found to be engaged in or provide support for any such activities.

The US, EU and UK have compiled numerous lists to identify such individuals and businesses. Field offices are required to screen vendors, contractors, suppliers, banks, subgrantees and employees against these lists and document the results of the search in the relevant file. Specific procedures for screening and documentation are found in the applicable sections of this manual as well as the Mercy Corps Procurement Manual. For example, the requirements for checking vendors can be found in the procedures detailed in the Procurement Manual. Requirements for checking banks can be found in Section 3.2 of this manual. Information on checking subgrantees is found in Section 11 of this manual.

### ***2.7.1 Ineligibility and Compliance Checking Software***

To streamline the checking process, a database tool called WorldTracker has been obtained by the HQ Information Technology (IT) Department. This software combines the various applicable lists and allows the user to check the name of an individual or entity against all lists at the same time. Instructions for the use of the software may be obtained on the Digital Library or by contacting the HQ IT Department. Updates to the database will be periodically distributed from the HQ IT Department.

Questions regarding this policy should be directed to the HQ Director of Finance Training and Compliance.

## **2.8 Anti-Corruption Policy**

### **2.8.1 Scope and Purpose**

Mercy Corps has an Anti-Corruption Policy, which is available on the Digital Library. This section provides further guidance to the field on this policy and outlines the procedures for the implementation of the policy for country programs.

The policy is designed to address situations in which an employee is suspected of engaging in illegal acts or questionable conduct involving Mercy Corps' *financial or physical* assets. This conduct might include outright theft (of equipment or cash), fraudulent procurement, fraudulent expense reports, misstatements of any accounts to any manager or to Mercy Corps' auditors, or an employee's conflict of interest that results in financial harm to Mercy Corps.

### **2.8.2 Roles and Responsibilities**

The Country Director is responsible for:

- Enforcing the Anti-Corruption Policy;
- The preliminary assessment of suspected corruption;
- Notifying the Regional Program Director and Director of International Finance as required by this policy;
- Assembling the inquiry team;
- Monitoring the progress of the inquiry;
- The inquiry report, including recommendations to prevent future occurrences and for recovery of losses, if any;
- Reporting the results of the corruption inquiry to Headquarters;
- Ensuring the implementation of the internal inquiry report recommendations.

If the Country Director appears not to be independent of the allegations, either in fact **or** appearance, the Regional Program Director will assume the Country Director's responsibilities for investigating the allegations and the Country Director will be recused from the investigation.

The Regional Program Director is responsible for:

- Notifying and communicating with senior HQ program management;
- Ensuring the inquiry team is independent and has access to adequate technical expertise if such expertise is not available in the Country Office;
- Reviewing the inquiry plan to ensure it addresses all areas necessary for resolution of the allegations;
- Monitoring the progress of the inquiry;
- Approving the final internal inquiry report;
- Approving any terminations of staff as a result of the inquiry;
- Ensuring recommendations in the final internal inquiry report are implemented.

The Director of International Finance is responsible for:

- Notifying and communicating with both US and European senior HQ financial, compliance, legal, human resources and PALM management;
- Ensuring that the inquiry plan is adequate to obtain the required financial information to resolve the allegations;
- Evaluating the need to call upon additional resources, such as Internal Audit, to assist in the inquiry;
- Monitoring the progress of the inquiry related to financial matters;
- Approving the financial aspects of the final internal inquiry report;
- Monitoring the progress on implementing the recommendations in the final internal inquiry report.

### 2.8.3 Procedures for Handling Cases of Suspected Corruption

#### 2.8.3.1 Reporting Questionable Conduct

##### MERCY CORPS INTEGRITY HOTLINE

[integrityhotline@hq.mercycorps.org](mailto:integrityhotline@hq.mercycorps.org)

The Mercy Corps Integrity Hotline provides a mechanism for the reporting of illegal activity or the misuse of Mercy Corps assets while protecting the employees who make such reports from retaliation.

Mercy Corps encourages staff to report questionable conduct and has established a system that allows them to do so anonymously. ***This is not a general complaint or grievance mechanism; such matters should be taken to one's supervisor.***

If an employee suspects questionable conduct, he or she may report it (anonymously if the employee wishes) and will be protected against any form of harassment, intimidation, discrimination or retaliation for making such a report in good faith.

1. Employees are strongly encouraged to first make a report to their supervisor or, if necessary, their supervisor's supervisor.
2. Alternatively, employees can make a report by emailing [integrityhotline@hq.mercycorps.org](mailto:integrityhotline@hq.mercycorps.org) which will be read by one of the Internal Audit team. This email address can only be read by the Internal Audit team (and no one else) and the identity of the sender is only known to the Internal Audit team. If the sender wishes, he can release his anonymity by stating so in the text of the email message. The Internal Audit team will respond to all emails received at this address within 48 hours.
3. Finally, if employees prefer, they can make a report to any of the following Mercy Corps personnel at any time: Chief Executive Officer, President, Chief Financial Officer, Vice President of Program Operations, Executive Counselor, Regional

Program Director, General Counsel, or the Human Resources Director. Mercy Corps will promptly conduct an inquiry into matters reported, keeping the informant's identity as confidential as possible, consistent with our obligation to conduct a full and fair inquiry.

#### 2.8.3.2 Protection from Retaliation

An employee who has made a report of questionable conduct and who subsequently believes he or she has been subjected to retaliation of any kind by any Mercy Corps employee is directed to immediately report it to one of the Internal Auditors using the Integrity Hotline email address.

Reports of retaliation will be investigated promptly in a manner intended to protect confidentiality as much as practicable, consistent with a full and fair inquiry. The party conducting the inquiry will notify the employee of the results of the inquiry.

Mercy Corps strongly disapproves of and will not tolerate any form of retaliation against employees who, in good faith, report issues regarding the misuse of Mercy Corps' assets. Any employee who engages in such retaliation will be subject to discipline up to and including termination of the employee.

#### 2.8.3.3 Notifying Headquarters

Upon learning of the allegations and before beginning the Initial Assessment, the Country Director is responsible for informing the Regional Program Director and the HQ Director of International Finance. The Regional Program Director is responsible for notifying and updating as needed, the Vice President of Program Operations and appropriate HQ program staff. The Director of International Finance is responsible for notifying and updating as needed, the appropriate US and European HQ Finance, Compliance, Internal Audit, Legal, HR (HR should be notified immediately by the Director of International Finance if allegations involve expatriate staff) and PALM staff, as warranted by the circumstances of the case.

#### 2.8.3.4 Initial Assessment

When questionable conduct is first reported to the Country Director, an initial assessment of the allegations is conducted to determine the circumstances, likelihood and potential financial impact. The results of the initial assessment are documented using **Form FFM 2.8A, Initial Assessment Report**. Suggested guidelines for conducting the initial assessment are provided in **Supplement to Form FFM 2.8 - Initial Assessment and Internal Inquiry Guidelines**.

The initial assessment should:

- outline the allegations;
- assess the management and internal controls related to the allegation area;
- assess the likelihood that the allegations are correct;

- and, if there is a reasonable likelihood of corrupt activities, assess the potential financial impact.

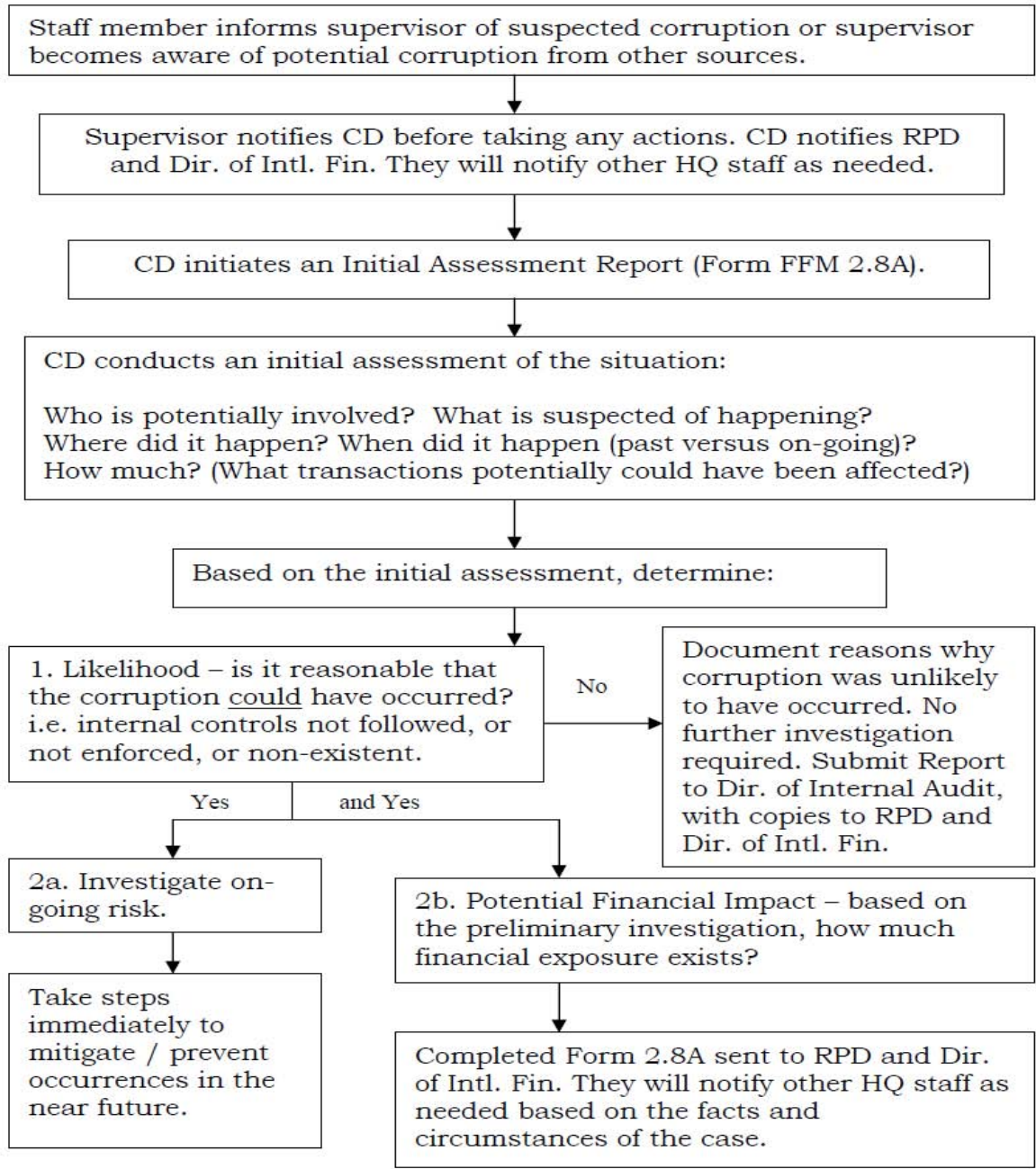
If the initial assessment of the allegation shows that there is not a reasonable likelihood that the allegations are correct, the reasons for this determination should be documented as a part of the initial assessment. No further inquiry is required, however, the completed **Form FFM 2.8A, Initial Assessment Report** must still be sent to the Director of Internal Audit with copies to the RPD and the Director of International Finance.


If the initial assessment determines there is a reasonable likelihood the allegations could be accurate, the completed **Form FFM 2.8A, Initial Assessment Report** is sent to the RPD and the Director of International Finance. A full inquiry of the allegations must be conducted (see **Section 2.8.3.5**).

The RPD and Director of International Finance are responsible for providing the completed **Form FFM 2.8A Initial Assessment Report** to the appropriate staff in accordance with **Section 2.8.3.3**.



**Summary Chart: Notifying Headquarters and Initial Assessment**



 All communications with donors or government authorities requires CFO or VP of Program Operations approval. Internal reports are meant for MC management use only and are not provided to donors without CFO or VP of Program Operations approval.

### 2.8.3.5 Inquiry into Suspected Corruption

Each allegation of corruption, once established as having a reasonable likelihood of being accurate, requires an inquiry to establish the facts surrounding the corruption, to determine the necessary changes to strengthen procedures and to determine total losses based on verifiable, documented evidence.

The Country Director is responsible for assembling an inquiry team that is composed of staff that are independent of the allegations and that have adequate technical knowledge to make an informed evaluation. The inquiry team can include HQ technical support staff as needed. Size and composition of the team will depend on the potential seriousness of the suspected corruption. For large cases, it is recommended to have at least three staff members on the inquiry team, including at least one finance staff member. Internal Audit may also be called upon to consult on or conduct the inquiry.

An inquiry plan is developed by the Country Director and inquiry team. If the potential financial impact of the case exceeds \$25,000, the inquiry plan and inquiry team must be reviewed and approved by the Regional Program Director and the Director of International Finance.

The inquiry should be carried out conscientiously, make determinations based on verifiable information and bring final resolution to the issues in a timely manner. Regular updates on the progress of the inquiry should be provided to the RPD and the Director of International Finance.

### 2.8.3.6 Internal Inquiry Report

Inquiries into reported cases of corruption are documented using **Form FFM 2.8B, Internal Inquiry Report**. Recommended approaches for preparing the inquiry plan, conducting the inquiry and completing the report can be found in the **Supplement to Form FFM 2.8 - Initial Assessment and Internal Inquiry Guidelines**. The form and supplement are available on the Digital Library.

All information obtained in the course of the inquiry should be kept confidential by the Country Director and the inquiry team members, except as outlined in this section.

### 2.8.3.7 Finalizing the Internal Inquiry Report

The final version of **FFM Form 2.8B, Internal Inquiry Report**, including the recommendations, must be approved by the Country Director. It is then sent to the RPD and Director of International Finance for HQ approval.

Once the internal inquiry report has been approved by the RPD and the Director of International Finance, it is considered final and the Country Director sends the report to the Director of Internal Audit. The Director of Internal Audit records the incident in the Corruption Incident Register as required by the Mercy Corps Anti-Corruption Policy.

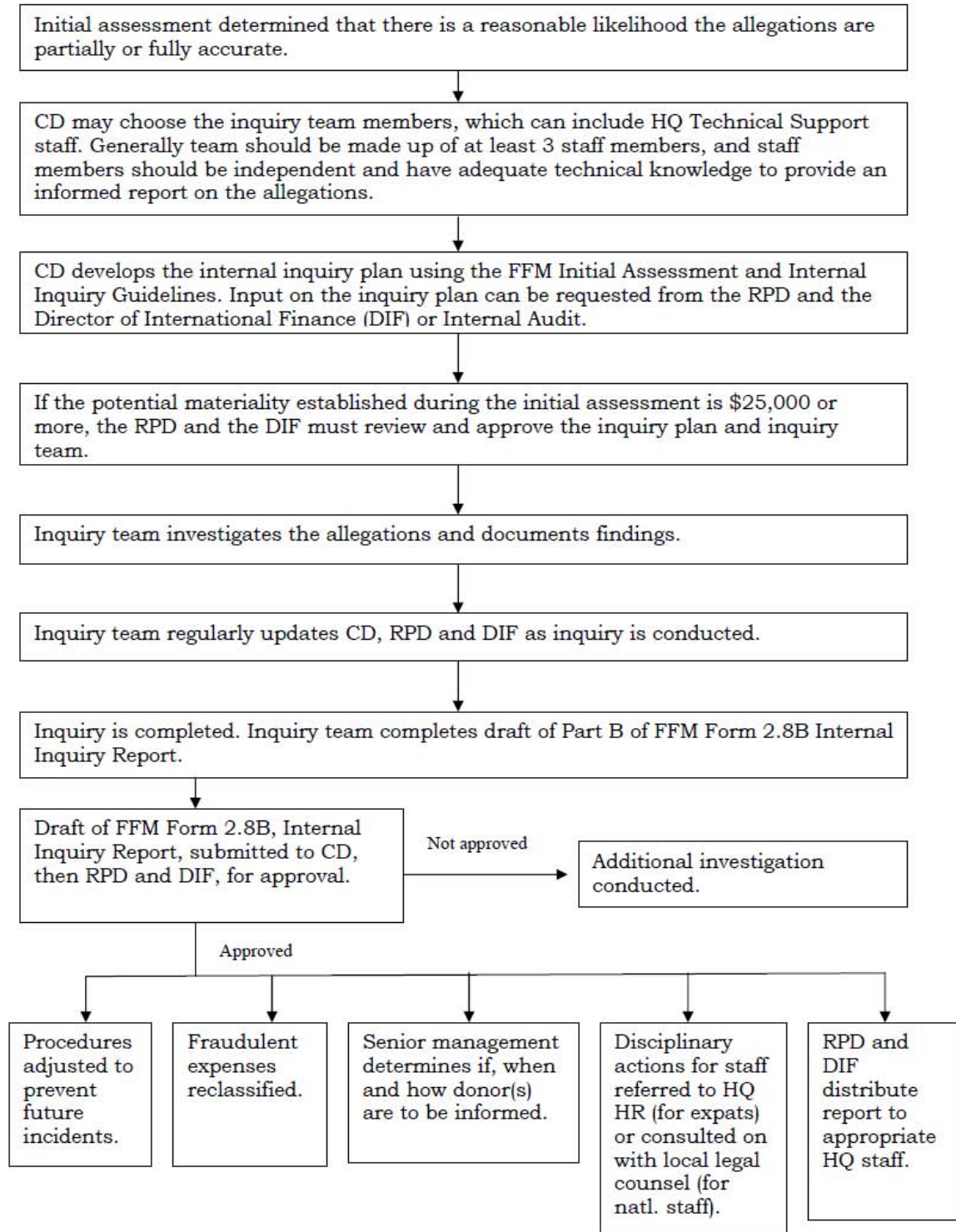
Mercy Corps  
Field Finance Manual

*Section 2 – Internal Controls*

*Effective: 01/01/2010 (supersedes 9/1/06)*

The Regional Program Director is responsible for distributing the final **FFM Form 2.8B, Internal Inquiry Report** to the Vice President of Program Operations and appropriate HQ program staff. The Director of International Finance is responsible for distributing the final report to the appropriate US and European HQ Finance, Compliance, Internal Audit, Legal, HR and PALM staff, as warranted by the circumstances of the case.

**Summary Chart: Conducting the Inquiry**



#### 2.8.3.8 Recovery of Losses

Mercy Corps will make reasonable efforts to recover losses from corruption. If legal action is being considered to recover losses, local legal advice should be sought and the HQ Legal Department should be notified prior to actions being undertaken. All offers of restitution should be referred to the Country Director and local legal advice sought before discussing, negotiating or accepting any such offers.

In some cases it may also be possible to make an insurance claim to cover losses. All such claims are submitted through the HQ Treasury Manager.

#### 2.8.3.9 Write-offs and Disallowances

Recommendations of write-offs or disallowances are documented in **FFM Form 2.8B, Internal Inquiry Report**. The final determination of amounts to be written-off must be approved by the CFO.

#### 2.8.3.10 Communications with Donors, External Auditors and Government Authorities

No communications with donors, external auditors or government authorities (except law enforcement) about the allegations or inquiries may be made **unless written permission** is received first from the Chief Financial Officer or the Vice President of Program Operations.

When preparing proposed communication, care must be taken that only information which is accurate, complete and has been reviewed by HQ is provided to donors. We do not want to provide donors with hearsay, estimates or conjecture which may prove later to be inaccurate or unrelated to their funding.

Consultation on the appropriate donor regulations and/or protocols should be sought from the Portland or Scotland Compliance Departments before preparing any proposed donor communication. Communications with Mercy Corps major donors, such as US Government (USAID, USDA, Dept. of State, etc.), European Commission (EC, ECHO, etc.) and the United Nations (UNHCR, UNICEF, UNDP, etc.) will generally be submitted from Headquarters.

### **3 Cash Management and Banking**

#### **3.1 Office Cash**

Mercy Corps often works in environments where a cash economy or a lack of banking services necessitates a high level of cash transactions. Some offices, however, may be able to transact most payments by check or wire transfer and may only have a need for a petty cash fund in the office. Regardless of the level of cash handling, cash transactions must be carefully controlled and those entrusted with cash must be trained on basic cash handling procedures.

Because circumstances vary widely from office to office, local procedures and cash handling thresholds must be established for each office. These procedures should conform to the basic guidelines provided in this section. It is the responsibility of the Country Finance Manager to develop these procedures and provide appropriate training to staff. Country Directors should review and approve all local cash handling policies and procedures.

##### **3.1.1 General Cash Handling Policies**

###### **3.1.1.1 Use of Safes**

All offices are required to use a safe for the storage of office cash. Safes should be large enough so that they may not be easily removed and should be bolted down. Safes should be discreetly placed and kept in locked or barred offices.

Access to the safe should be strictly controlled. A set of keys should be kept by the cashier or cash custodian only. A back-up set of keys should be kept by the Country Director or Head of Office.

###### **3.1.1.2 Establishing Minimum and Maximum Cash on Hand**

A minimum and maximum amount of cash to be kept in the office should be established for each office and for each currency. These levels should be set by the Country Finance Manager and Country Director and should be based on spending patterns and security considerations.

When cash drops below the minimum threshold, currency should be exchanged or cash should be withdrawn from the bank to replenish the level of cash on hand. For security purposes, cash balances should not be maintained above the maximum threshold.

###### **3.1.1.3 Minimizing Cash Transactions**

Given the inherent risks associated with cash handling, field offices must always use other means of payment whenever possible, such as checks or wire transfers. To monitor cash payments, field offices must establish a maximum value for any single cash

transaction. Disbursements exceeding this threshold must be authorized by the Country Director.

#### 3.1.1.4 Record Keeping

Record keeping for cash transactions is discussed in Section 13, Accounting Policies and Procedures, and Section 15, Financial Software Usage. Please refer to those sections for discussions of vouchers and cash journals.

#### 3.1.1.5 Evidence of Receipt by Payee

To prevent duplicate payments or claims of discrepancies, all cash payments must be documented by evidence of receipt by the payee. This means that the recipient of the payment must sign that the cash was received in total at the time of payment. A numbered receipt should be prepared in duplicate indicating the amount and date and should be signed by the recipient. One copy should be given to the payee and one copy should be retained and included with the voucher documentation.

Since the use of local language is often necessary in these cases, this manual does not prescribe a format for the cash receipt. Offices may purchase pre-numbered receipt books available locally or may develop a form that is numbered in the office. Sample receipt forms are available from HQ Finance or the Mercy Corps Digital Library.

#### 3.1.1.6 Periodic Cash Counts

Cash balances should be physically counted periodically to ensure that cash journal balances match the actual cash on hand. Cash counts should conform to the following general guidelines:

1. Cash counts should be done discreetly, out of general view and should be undisturbed. Given the relatively large amount of cash that may be involved, field offices should approach cash counts with a high degree of formality.
2. Counts should be performed by a minimum of two people, preferably the cashier and the Finance Manager or Head of Office. One should serve as the counter and the other as a witness of the count.
3. Cash counts should be performed both at regular intervals and randomly. The frequency for regular counts should be determined for each field office by the Country Finance Manager and should be based on the number of daily transactions, amount of cash kept on hand and other factors. Generally, counts will be performed once per week.
4. A final month-end count must be performed on the last day of each month. This count will be submitted with the monthly reporting package to HQ. No cash activity for the month should take place after the final count has been taken.

Mercy Corps  
Field Finance Manual

**Section 3 – Cash Management and Banking** **Effective: 2/1/04**

5. Cash counts must be documented on **Form 3.1 A, Field Cash Count**. These forms must be signed by the person performing the count, the witness, and the person authorized to approve the count. (See example below.)
6. Any overages or underages must be recorded in the cash journal at month end in order to reconcile to the final count. Discrepancies may not be held over to future periods.

Example – Form 3.1 A, Field Cash Count

<b>Mercy Corps</b>	<b>Field Cash Count</b> Field Finance Manual - Form 3.1A
Country Program: <u>Sample Country</u>	Currency: <u>EUR</u>
Field Office: <u>Sample Field Office</u>	G/L Account Code: <u>1000-xx-xxx</u>
<input type="checkbox"/> Periodic Count    or <input checked="" type="checkbox"/> Month End Count	Month / Year: <u>12/03</u>

---

A. Physical Cash Count Subtotal 677.00

Currency	Denomination	Quantity	Extended Amount
EUR	1.00	5	5.00
EUR	2.00	6	12.00
EUR	5.00	2	10.00
EUR	10.00	0	0.00
EUR	20.00	10	200.00
EUR	50.00	1	50.00
EUR	100.00	2	200.00
EUR	200.00	1	200.00
EUR	500.00	0	0.00
EUR			0.00

B. Outstanding Advances Subtotal 300.00  
*(Procurement Advances only; Advances to Sub-offices must be recorded as advances)*

Advance No.	Description	Amount
FO-00125	Advance for Phone Card Purchase	300.00

C. Other Reconciling Items Subtotal 0.00  
*(Itemize)*

Reference No.	Description	Amount

D. Total Cash Balance (A+B+C) EUR 977.00

E. Month End Balance per Cash Journal (D = E) EUR 977.00  
*(Enter Cash Journal balance to confirm; any discrepancies must be resolved by month end)*

---

	Counted By	Witnessed By	Approved By
Name	Cashier	Finance Manager	Country Director
Date	12/31/03	12/31/03	1/2/04
Signature			

(Version 2/1/04)

### 3.1.1.7 Currency Exchanges

Since the majority of transactions in the field are conducted in local currency, offices will regularly need to convert U.S. dollars or other donor currencies into local currency. Field



offices should determine the appropriate frequency of exchanges to minimize transaction fees while also keeping the level of non-convertible cash on hand as low as possible.

Currency should be converted at a bank or reputable currency exchange bureau. Exchange receipts and any related documentation must be retained and attached to the transfer voucher. (See Section 13, Accounting Policies and Procedures, for a discussion of vouchering.) Currency should not be exchanged on the black market.

### 3.1.2 Receipt of Cash by Mercy Corps Offices

Physical cash should be accepted in field offices only in special cases. These cases are:

1. Cash receipts for program income when there is no possibility for these payments to be made directly to the bank.
2. Cash proceeds from monetization when there is no possibility for these payments to be made directly to the bank.
3. Loan repayments in microcredit programs when there is no possibility for these payments to be made directly to the bank.
4. Small cash refunds or credits, such as reimbursements for personal phone calls or vehicle usage or for collections from cost sharing or rental agreements.
5. Settlement of advances.

Private donations should not be accepted in the field without prior approval from the Chief Financial Officer. In these cases, guidance should be sought from HQ Finance regarding proper receipting procedures.

Any cash received in the field should be scrutinized for authenticity before it is accepted. The HQ Finance Manager should be contacted immediately if counterfeit bills are found.

## 3.2 Bank Accounts

### 3.2.1 Opening Bank Accounts

Authority to open bank accounts for the organization may be vested in senior field management by HQ through a Letter of Authority. Letters of Authority are legal documents and may only be issued by the Chief Financial Officer or other Officer of the organization. Letters of Authority to open accounts on behalf of Mercy Corps Scotland are issued by the Chairman of the Board. Requests for Letters of Authority should be directed to the HQ Program Officer in Portland or Edinburgh as appropriate. (See Section 2.6 for general information on Letters of Authority.)

Accounts may be opened in the name of an individual rather than in Mercy Corps' name in special circumstances only. Prior written approval by the Chief Financial Officer is required in these cases.

Bank accounts should be interest bearing whenever possible.

Field offices are required to document bank account information by completing **Form 3.2A, Field Bank Account Data** when new accounts are opened or closed or when changes are made to existing accounts. These forms should be filed in the finance office by general ledger account number and the outdated version should be marked “Superseded” when updated with a current version. Field offices must submit any new or updated forms to HQ with their monthly reporting package.

### 3.2.2 Ineligibility and Compliance Checking of Banks

#### 3.2.2.1 Mercy Corps Bank Accounts

In accordance with the policy described in Section 2.7 of this manual, field offices are required to screen all banks against the ineligibility and compliance checking database, WorldTracker, prior to opening a new account at that bank. This procedure should be followed regardless of whether Mercy Corps already has an account at that bank.

The bank name as well as the names of any directors should be documented on Form 3.2 A, Field Bank Account Data and should be checked against the database tool. Please refer to the Digital Library or the HQ Information Technology Department for specific instructions on the use of the database. A copy of the database report should be attached to Form 3.2 A and retained in the bank file.

In accordance with Mercy Corps’ policy, field offices may not open bank accounts at ineligible banks. Questions regarding this policy may be directed to the HQ Finance Compliance and Training Manager. Requests for guidance regarding any potential matches should be directed to the HQ Program Officer.

#### 3.2.2.2 Vendor, Supplier and Subgrantee Bank Accounts

In addition to checking banks at which Mercy Corps intends to open an account, banks used by vendors, suppliers or subgrantees to which Mercy Corps will transfer payment by wire must also be checked for ineligibility in the WorldTracker database. For wire transfers exceeding \$5,000 per transaction, the recipient bank name must be entered into the database and a copy of the printed screening report must be attached to the wire transfer documentation and maintained in the file. Alternate payment arrangements, such as a transfer to an intermediary bank or payment by check or money order, should be made in cases when the recipient’s bank is ineligible.

### 3.2.3 Segregated Accounts

Field bank accounts should be kept to the minimum number possible. Field offices will generally require a minimum of two general operating bank accounts: a U.S. dollar account and a local currency account. Each bank account should have a separate general ledger account, differentiated by sub-code.

To avoid amassing bank accounts, it is Mercy Corps’ policy that segregated project accounts may only be opened when required by the donor or local law, or for microcredit operations. Mercy

Corps' double entry accounting systems accommodate the need for separate project tracking through the coding of receipts and expenditures by project, thus negating the need for a physical segregation of cash and bank accounts. A separate account for Mercy Corps Scotland activity should not be opened unless required by the donor. Exceptions must be approved in writing by the HQ Senior Manager of Field Finance.

### 3.2.4 Signatories

#### 3.2.4.1 Adding Signatories

Letters of Authority (see Section 3.2.1 and Section 2.6) generally allow the holder to authorize additional signatories on bank accounts. Only the minimum number of signers to operate efficiently should be added. The Country Director must be a signer on all field bank accounts, including accounts in satellite or sub-offices. The Finance Manager, Accountant or other individual with responsibility for the financial record keeping should not be added as a signer.

#### 3.2.4.2 Dual (Joint) Signatory Policy

Whenever possible, bank accounts should be set up to authorize transactions only by the signatures of two authorized individuals. Where dual signatory accounts are possible, the Country Finance Manager may be added as a second signer. When authorizing transactions, one signer should be the Country Director, Head of Office or a member of senior program management and the other signer should be the Administration or Finance Manager. A dual signatory account that allows two program individuals to authorize transactions without the knowledge of the Country Director or the Country Finance Manager must also be avoided.

#### 3.2.4.3 Deleting Signatories

Departing employees who are authorized as signers on bank accounts should always be officially deleted before leaving the country or before termination of employment from Mercy Corps.

#### 3.2.4.4 HQ Signatory

A member of senior HQ management (Portland Director of Operations, Vice President of Operations or Chief Financial Officer) is required as a signatory on all field bank accounts. Arrangements should be made by sending the required documentation to HQ, if possible, or on the occasion of a field visit.

### 3.2.5 Payments by Check or Wire Transfer

All invoices and requests for payment should be received directly by the Finance Office whenever possible. The Finance Office should match the completed Purchase Record or other pre-approval documentation (e.g. copies of leases, contracts, rental agreements, etc.) to the invoice and verify the accuracy of the invoiced amounts as well as the invoice calculations.

Incorrect invoices should be returned by the Finance Office to the vendor for correction rather than paid short.

Once an invoice has been matched and checked, the invoice should be forwarded to the individual with approval authority for the purchase to approve the final invoice. Approval should be indicated by signing in ink on the face of the invoice and providing the date. The Finance Manager should also sign and date that financial review was completed. All invoices must be stamped “PAID” and the date and check number if paid by check should be noted.

All payments, whether by check or wire transfer, must be made payable to the party which appears on the procurement records and/or other approval documentation. Checks or transfers may not be made out to third parties or Mercy Corps employees to be cashed on behalf of the vendor. Any exceptions must be approved in writing by the Chief Financial Officer.

### 3.2.6 Monthly Bank Reconciliation

All bank accounts must be reconciled to bank statements on a monthly basis. An official statement must be obtained from the bank for each account, regardless of whether any transactions took place during the month.

**Form 3.2 B, Monthly Bank Reconciliation** should be used to reconcile each bank account. The purpose of the form is to reconcile the balance shown on the bank statement with the ending balance on the bank journal. The form should not be used to restate the monthly bank activity, but should be used to show any outstanding transactions that occurred during the month but have not yet been reflected on the bank statement. A sample is provided on the following page.

The prior month’s bank reconciliation must be checked for any items that still remain outstanding. Transactions that remain uncleared from previous months should be promptly researched with the bank or the payee.

Form 3.2 B, with a copy of the bank journal and bank statement attached, must be submitted to HQ with the monthly reporting package.

**Mercy Corps**  
**Field Finance Manual**  
*Section 3 – Cash Management and Banking* *Effective: 2/1/04*

Example – Form 3.2 B, Monthly Bank Reconciliation



**Monthly Bank Reconciliation**  
 Field Finance Manual - Form 3.2B

Country Program: <u>Sample Country</u>	Bank Name: <u>Standard Chartered</u>
Field Office: <u>Sample Field Office</u>	Bank Account No. <u>500-2-052861-0</u>
	Currency: <u>EUR</u>
Month / Year: <u>12/03</u>	G/L Account Code: <u>1100-xx-xxx</u>

A. Month End Balance per Bank Statement EUR 15,125.30

B. Add Deposits In-Transit Subtotal 5,000.00

*(Include only deposits that have not yet cleared the bank)*

Reference No.	Description	Amount
TV-01256	Transfer from main office on 12/31	5,000.00

C. Less Outstanding Checks or Wire Transfers Subtotal (2,500.00)

*(Include only payments that have not yet cleared the bank)*

Check/Wire No.	Description	Amount
CK 125645	December Rent (paid 12/26)	2,500.00

D. Other Reconciling Items Subtotal 0.00

*(Itemize)*

Reference No.	Description	Amount

E. Total Adjusted Month End Balance (A + B - C + D) EUR 17,625.30

F. Month End Balance per Bank Journal (E = F) EUR 17,625.30

*(Enter Bank Journal balance to confirm; any discrepancies must be resolved by month end)*

\*\*\* A copy of the Bank Statement (all pages) and Bank Journal must accompany this form. \*\*\*

Prepared By Name: <u>Finance Officer</u> Date: <u>1/5/04</u> Signature: _____	Approved By Finance Manager <u>1/5/04</u> _____ (Version 2/1/04)
--	--

### 3.2.7 Absence of Banking Services

Where banking services are not available, field offices should research alternatives to handling large volumes of cash. Western Union, money traders or hawallas should be considered, but must be researched carefully since these systems rely largely on trust and can be expensive. Other agencies or donors operating in the area should be consulted for recommendations or alternatives.

When using the services of a money trader, an agreement which carefully outlines the procedures and authorities is required. The agreement should state, at a minimum, who is authorized to

request money from the trader and who is authorized to receive funds, along with the specific procedures and documentation required to release funds. These arrangements may operate on an advance basis (i.e. the trader advances the cash and Mercy Corps reimburses the trader through an off-shore account) or on a reimbursement basis (i.e. the trader releases the funds locally after the funds have been wired by Mercy Corps).

In highly insecure areas, traders may also be used to deliver payments directly to payees. This type of arrangement requires a high degree of coordination and procedural controls. It is the responsibility of the Country Finance Manager to document all local procedures and forms related to working with cash traders and to train staff in their use. The HQ Field Finance Group may be contacted for sample agreements as well as guidance on working with money traders.

### **3.3 Operational Advances**

Because Mercy Corps tends to work in primarily cash-based economies, field offices may have difficulty in finding vendors who are willing to invoice or offer credit. Offices may therefore find the need to issue advances of operating cash in order to make payments at the time of purchase or to fund operations in remote offices. In addition, some offices may wish to issue small operational advances to the Administration or Office Manager as a petty cash fund for specific, routine administrative expenses.

#### **3.3.1 Operational Advance Methodologies**

Operational advances may follow one of two basic methodologies depending on the situation: **Advances for Procurement** or **Advances to Sub-offices**. Field offices should consider the circumstances and assign a methodology when issuing advances. The individual responsible for the advance should be instructed on the procedures for taking and clearing advances as well as compliance with expenditure authorities. Failure to follow policies and procedures regarding operational advances should be raised to the Country Director or Head of Office and corrected immediately. Repeated, willful violation of policies or procedures should result in the barring of the individual from taking operational advances.

Operational advances should also be distinguished from travel advances, which are taken to fund miscellaneous travel expenses only, or payroll advances, which may be taken by expatriates as a way to access a portion of their salary in-country. Both of these types of advances follow different policies and procedures and are treated in the respective sections of this manual.

##### **3.3.1.1 Advances for Procurement**

When a vendor is not willing to invoice or provide credit, an advance may be taken to make payment for goods or services at the vendor's site.

Policies and procedures guiding these types of advances are:

1. Advances for Procurement must be for a specific purchase. Advances for Procurement may only be taken when no other options for payment exist. Other options that must be considered first are: i) payment by check; ii) payment by wire transfer; or iii) cash payment to the vendor on-site at the Mercy Corps office.
2. Advances for Procurement must be cleared immediately upon return to the office by the individual who signed for the advance. Advances may not remain open longer than three business days. All Advances for Procurement should be cleared before the end of the month.
3. Procurement policies as outlined in the Mercy Corps Procurement Manual must still be followed and a properly executed Purchase Request if required must be completed to authorize specific purchases.
4. Advances for Procurement must be issued using **Form 3.3 A, Request for Operational Cash Advance** (see 3.3.2).
5. Advances for Procurement must be cleared by using **Form 3.3 B, Operational Expense Report** (see 3.3.3). Receipts must be provided as evidence of all expenditures. Unspent balances must be returned when the form is submitted.
6. Advances may not be signed over to another individual. Advances must be cleared through the Finance Office by the individual who took the advance.
7. Previous advances must be cleared before a new advance can be issued. Advances must be cleared in total and unspent balances may not be held-over as an on-going advance.
8. Advances should be cleared and expenses recorded at the same exchange rate in which the advance was issued.

#### 3.3.1.2 Operational Advances to Sub-offices

Operational advances may also be issued to satellite or sub-offices which incur a relatively low number and value of transactions per month and are not large enough to warrant the staffing of an accountant or cashier. An operational advance of a fixed amount may be issued to the program manager to make daily operational purchases and payments in the sub-office. When the advance has been depleted, the program manager must return to the main office to clear the advance and take a new advance.

Policies and procedures guiding these types of advances are:

1. Operational advances to sub-offices should be used for regular, administrative expenses only. Program procurements should generally not be made from sub-offices where there is no finance or administrative staff. The Country Finance Manager should establish specific rules covering which types of payments may be made from an operational advance to a sub-office. This will depend on the staffing

in the sub-office, the ability to centralize procurement in the head office and other local factors.

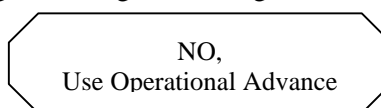
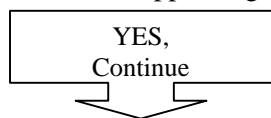
2. Expenditures made from operational advances must follow standard procurement procedures and expenditure approval levels. All policies, procedures and forms required in the Mercy Corps Procurement Manual apply.
3. A standard amount representing no more than one month of expenditures should be established by the Country Finance Manager for each sub-office taking an operational advance.
4. Operational advances to sub-offices must be cleared monthly at a minimum.
5. Operational advances to sub-offices must be issued using **Form 3.3 A, Request for Operational Cash Advance** (see 3.3.2).
6. Operational advances to sub-offices must be cleared by using **Form 3.3 B, Operational Expense Report** (see 3.3.3). Receipts must be provided as evidence of all expenditures. Unspent balances must be returned when the form is submitted.
7. Advances may not be signed over to another individual. Advances must be cleared through the Finance Office by the individual who took the advance. Exceptions to this policy may be made by the Country Finance Manager when necessary, but must be documented by a cash count signed by both parties in the transfer.
8. Previous advances must be cleared before a new advance can be issued. Advances must be cleared in total and unspent balances may not be held-over as an on-going advance. Unspent cash should be returned and counted when the expense report is submitted and a fresh advance should be issued for the next period.
9. Advances should be cleared and expenses recorded at the same exchange rate in which the advance was issued.

### 3.3.1.3 Office Cash Account or Operational Advance to a Sub-Office?

When determining local procedures for handling cash disbursements in sub-offices, a decision must be made on whether to set up an office cash account for the sub-office or to issue an operational cash advance. Since the decision will determine which policies and procedures are to be followed, the local conditions, staffing and other circumstances must be taken into account.

The following criteria should be used to help guide this decision.

1. Are enough staff members present in the sub-office to ensure an adequate segregation of duties in approving, procuring, receiving, disbursing and financial record keeping?





2. Is an accountant or cashier present who can take responsibility for preparing vouchers, coding expenses and maintaining a cash journal?

YES,  
Continue

NO,  
Use Operational Advance

3. Is a staff member with sufficient knowledge of donor regulations and Mercy Corps financial policies present and able to fulfill the requirements of the financial review function?

YES,  
Continue

NO,  
Use Operational Advance

4. Is the Country Finance Manager able to travel to the sub-office regularly to audit records and perform periodic cash counts?

YES,  
Use Cash Account

NO,  
Use Operational Advance

Cash account handling should follow the procedures outlined in Section 3.1 and requests for funds in these situations should follow the procedures described in Section 3.4. The use of cash journals is outlined in Section 13, Accounting Policies and Procedures.

Operational Advances should follow the procedures outlined in Section 3.3.1.2.

### 3.3.2 Request for Operational Cash Advance

When requesting operational advances, **Form 3.3A, Request for Operational Cash Advance** should be completed, approved by the employee’s supervisor and submitted to the Finance Office. Advance amounts exceeding the supervisor’s expenditure approval authority should also be approved by the next level of authority. The lower portion of the form should be completed when the cash is disbursed by the Finance Office to the individual.

Request forms must be sequentially numbered and tracked in a spreadsheet log. The forms should be multipart (Original – Finance Office; Copy 2 – Requester; Copy 3 – Attached to the disbursement voucher for the advance) and may either be pre-numbered or stamped with a sequential number by the Finance Office when issued. Open advance forms (originals) should be filed and kept in a secure location, preferably the safe, until the advance is cleared.





### 3.4.2 Reporting Requirements

Cash flow requirements must be reported monthly to HQ using **Form 3.4A, Monthly Cash Flow Projections**. This report is due on the **25<sup>th</sup> of the month for the following month** and should be submitted to the HQ Finance Manager in Portland and in Edinburgh if Scotland grants are included.

The report should list the monthly expenditure estimate by project (grant) for both Mercy Corps and Mercy Corps Scotland grants along with any other cash needs, such as expatriate advances. Total estimated spending for the month should be subtotaled. Cash on hand should then be listed by bank and cash account. Restricted bank balances, such as for monetization proceeds, should be excluded. The total cash required for the month equals total estimated expenditures less cash on hand.

### 3.4.3 Monthly Funding Requests

Field offices may request up to 30 days of cash needs based on the monthly cash flow projection. Cash may be drawn at any time during the month or may be requested in tranches. Offices in highly insecure locations should request smaller amounts more often to minimize the amount of cash on hand.

**Form 3.4 B, Bank Transfer Request** must be used for all cash requests to HQ and Edinburgh. Funding requests should be scanned and e-mailed or faxed to the HQ Assistant Finance Officer in Portland or the Finance Manager in Edinburgh. The Portland Finance Manager should be copied on all funding requests, including those to Edinburgh.

Funding requests from the head country office must be directed to HQ (Portland or Scotland) only. Cash transfers between separate country offices (i.e. offices whose accounts are kept on separate ledgers) are strictly prohibited unless authorized in writing by HQ Finance. The sole exception is in the case of emergency evacuation where funds may be more easily transferred to another location. Sub-offices may also use this form when requesting cash from the head country office if they maintain cash accounts rather than operational advances. All funding requests to HQ must be approved by the Country Director, regardless of amount.

Funding requests submitted to HQ or Edinburgh will be wired within **three business days** of receipt and field offices will receive confirmation of the wire date. Field offices should plan enough lead time when requesting cash to take into account the wire processing time by the bank. Often at least one intermediary bank is required to complete a transfer and processing may take several days.

### 3.4.4 Repatriating Cash

Excess funds, defined as cash in excess of 60 days' working needs, that have accumulated in a field office should generally be transferred back to HQ for safekeeping and deposit into an interest-bearing account. Field offices should consult with HQ before converting local currency back to U.S. dollars to avoid significant exchange losses or the violation of donor regulations.

#### **4.1 Purpose and Scope**

Employees are Mercy Corps' most valuable resource. Employee compensation is also the organization's single largest expense. Careful attention to all aspects of payroll and compensation related matters is critical to effective financial as well as human resources management.

##### **4.1.1 Authority of Human Resources Manuals**

This section is intended to address the payment and processing of payroll and payroll related transactions only. It is not intended to cover human resources management policies or procedures. For expatriate employees, the authority for human resource issues is the **Employee Handbook for Foreign-Assigned Staff** or other policy documents as issued by Portland HQ or Edinburgh HQ.

For national staff human resources management, policies are defined in the **Field Administration Manual**, which is available on the Digital Library. Field offices are also required to develop a comprehensive employee manual based on local employment law and practices. Legal advice must be sought in country to ensure that policies are in keeping with local customs and are compliant with local labor laws. A sample template of the National Staff Policy Handbook is available in the Mercy Corps "**Office in a Box**", which can be accessed from the Digital Library. Assistance in customizing the template can be provided by the Procurement, Admin and Logistics team (PALM) or HQ Human Resources.

All national staff policy handbooks must be reviewed by the Procurement, Admin and Logistics team (PALM) prior to implementation. Final approval of all new or revised handbooks rests with the Vice President of Program Operations.

##### **4.1.2 Legal and Taxation Considerations**

In keeping with the organization's civil society ideals, it is Mercy Corps' policy to conduct its operations in compliance with the laws and regulations of the host country. This includes compliance with all applicable taxation requirements and other employee benefits as required by law. Paying salaries in cash with the stated or unstated intention of avoiding the host government's system of taxation is prohibited. Any exceptions to this policy must be approved in writing by the Chief Financial Officer.

The Country Finance Manager and Country Director should obtain a strong understanding of local labor law, employee/employer tax law and other legally required employee benefits in order to ensure Mercy Corps' compliance.

##### **4.1.3 Headquarters Authority**

All expatriate payroll and compensation issues are subject to the authority of either Portland HQ or Edinburgh HQ. Citizens of any country other than the host country, regardless of residency,

Mercy Corps  
Field Finance Manual

*Section 4 – Payroll Systems*

*Effective: 07/01/10 (supersedes 9/1/06)*

are considered to be expatriate employees. Expatriate employees who are citizens of the United Kingdom or who must meet eligibility requirements established by European donors are hired through Mercy Corps Scotland. All other expatriates are hired through Mercy Corps Portland HQ. **Only HQ Portland and HQ Edinburgh have the authority to hire expatriate employees.** (See Section 2.5.4. for further information regarding hiring authorities.)

## **4.2 Personnel Activity Reports**

### 4.2.1 Purpose

It is important to note that the monthly payroll process consists not only of the *calculation* of monthly pay, but also includes the *allocation* of payroll expense to projects or cost centers. The **Personnel Activity Report (PAR)**, or timesheet, is therefore a critical element in the payroll process since it serves as the primary source of documentation for both of these functions.

Specifically, the report is designed to:

- Document attendance, time worked and time away from work, including vacation, holidays and sick leave, etc., for each employee.
- Document time and effort spent by an employee on one or more projects during that time period.

Each Mercy Corps staff member, regardless of position, must complete a Personnel Activity Report each month.

### 4.2.2 Format and Content

Personnel Activity Reports (PAR) must be completed by both expatriate and national staff on a monthly basis. Each employee should receive a Personnel Activity Report form at the start of their employment from the finance or administration department. New forms can also be requested from the finance or administration department as needed. Expatriate staff receive **Form 4.2A** and national staff receive **Form 4.2B**. Form 4.2B for national staff may be modified by Country Offices to allow for different types of leave or to conform to local requirements. Countries that modify Form 4.2B must submit the modified form for review by Finance Training and Compliance to ensure compliance with donor regulations.

The form may be completed manually or in Excel. If prepared manually, information must be entered in ink. The employee must sign the completed form prior to submitting for approval. Supervisor approval should be provided per the standards stated in Section 2.5.3 *Local and Remote Approvals*. After-the-fact corrections to reports should be made by crossing-out the mistake and entering the correct information. Corrections must be initialed by the employee and supervisor.

PARs are the responsibility of the employee and should be completed by the employee. In special circumstances, a supervisor may complete the report on behalf of an employee if the supervisor has first-hand knowledge of the work performed for each project. Exceptional cases should be documented and forwarded to HQ Finance.

A sample PAR is shown on the next page, followed by an overview of the form by section.

Mercy Corps  
Field Finance Manual

Section 4 – Payroll Systems

Effective: 07/01/10 (supersedes 9/1/06)

Example – Expatriate Personnel Activity Report, Form 4.2 A

Employee Name: <u>John Doe</u>		Field Finance Manual - Form 4.2A		MercyCorps		T O T A L	P e r c e n t																														
Field Location: <u>Afghanistan</u>		Month / Year: <u>July 2010</u>		EXPATRIATE STAFF PERSONNEL ACTIVITY REPORT																																	
Sub-code	Cost Center	Date																															Total Hours	Percentage			
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31					
001	43111	2	0	2	0	-	-	0	2	3	2	2	-	-	2.5	3	2	2	2.5	-	-	0	2	3	2	0.5	-	-	2	1.5	0.5	1	37.5	23%			
201	53222	2.5	1	2	0	-	-	0	2	0.5	0.5	2	-	-	2.5	0.5	2	1	1.5	-	-	0	2	2	4	1.5	-	-	2	1	1.5	0	32	20%			
456	43333	2	6	2	0	-	-	0	2	3	4	2	-	-	1.5	3	2	4	2.5	-	-	0	2	1.5	1	3	-	-	2	4	1.5	6	55	34%			
001	53444	2	2	1.5	0	-	-	0	2	1.5	2	2	-	-	1.5	1.5	2	1	1	-	-	0	2	1.5	1	3	-	-	2	2.5	3.5	1	36.5	23%			
																																		0	0%		
																																			0	0%	
																																			0	0%	
																																			0	0%	
Total Hours:		8.5	9	7.5	0	0	0	0	8	8	8.5	8	0	0	8	8	8	8	7.5	0	0	0	8	8	8	8	0	0	8	9	7	8	161	100%			
TIME OFF:																																					
Holiday					8																														8		
Vacation									8																											8	
Sick																								8												8	
Home Leave																																				0	
Other:																																				0	
Total Time Off:		0	0	0	8	0	0	0	8	0	0	0	0	0	0	0	0	0	0	0	0	0	0	8	0	0	0	0	0	0	0	0	0	0	0	24	
INSTRUCTIONS (See Field Finance Manual, Section 4 for complete instructions):																																					
<b>DAILY</b>																																					
1. Enter the sub-code and cost center in the left columns for each cost center work under during the month.																																					
2. Each day enter the total hours worked in each cost center. This is required if you work under more than one cost center. If you do not work under more than one cost center, entering hours worked is optional.																																					
3. In the Time Off section, enter in the appropriate row hours of work missed.																																					
<b>END OF MONTH</b>																																					
4. In the Accrued Time Off columns, add 13.3 hrs vacation and 6.67 hrs sick at the end of each month. Eighty hours of home leave are given each year beginning after 1 year of service. See the employee handbook for detailed information on time off. Subtract vacation, sick or home leave hours taken during the month.																																					
5. Transfer your "Hours at End of Month" from this time sheet to "Hours Beginning of Month" on your next month's timesheet.																																					
6. At month end, total all columns and rows and calculate the percentage worked for each cost center.																																					
7. Sign and date, and have supervisor sign and date. Make a copy for your files.																																					
8. Approved reports must be submitted to the Finance Manager by the 1st day of the following month.																																					
9. If you are not going to be able to complete this report by the required date, make arrangements with your supervisor to complete the report. See the Field Finance Manual for additional instructions.																																					
<b>Maximum Hours</b>																																					
Accrued Vacation Permitted																																					
240 Hours																																					
* Calculated hours may not exceed maximum accrual																																					
Employee Signature: <u>John Doe</u>																																	Date: <u>8/1/10</u>				
Supervisor Signature: <u>Mary Smith</u>																																	Date: <u>8/1/10</u>				
																																	(Version 4/1/10)				

Section 1 – Sub-codes and Cost Centers

Time must be tracked by a sub-code and cost center, representing the corresponding budget line in the coded budget, that the employee worked on during the month. Daily, employees should enter the number of hours worked in support of each activity (represented by a sub-code and cost center) in the appropriate column.

At the end of the month, the employee calculates the percentage of time spent on each activity and enters the percentage in the appropriate space. The percentage is calculated by taking the time spent during the month working on an activity divided by the total time worked during the month. Total time worked during the month excludes time off, as defined in the section below. The cumulative total of the percentages for each activity should equal 100%. (In the sample PAR, for example, the percentage of time worked on sub-code/cost center (activity) 001-43111 is 23%, calculated as 37.5 hours / 161 total hours.)

It is important to note that the hours entered for each sub-code/cost center must be based on actual time spent on the project rather than budgeted time. The reports must reflect an after-the-fact determination of the percentage of time worked on each project.



Countries may elect, in accordance with the Country cost allocation methodology (see Section 14 – **Cost Allocation** for more information on cost allocation), to have general and administrative national staff code their time to the appropriate pool account, instead of using cost centers. In countries that elect to use this methodology, general and administrative staff enter the sub-code and balance sheet cost center for their salary allocation on their PAR for time that cannot be associated with a specific project. Expatriate staff must complete their PAR only using cost centers, as pools are not used for expatriate time worked.

### **Section 2 – Time Off**

Time off consists of holidays, vacation, sick leave, home leave or other types of leave defined by Human Resources policies. This section should be used to record the type of leave taken and the number of hours used. Full time employees should enter eight hours for an entire day off. Time off by category should be totaled and entered in the appropriate column for each month.

### **Section 3 – Accrued Time Off**

This section appears only on the **Expatriate Personnel Activity Report, Form 4.2A** and is used to track the balance of accrued vacation, sick leave and home leave (collectively called “time off”). The section should be completed by following the instructions on the report. Beginning balances should be carried forward from the prior month’s ending balances. The HQ Payroll Department maintains the official record of accrued time off for expatriates and balances can be verified by contacting a member of the HQ Payroll team.

For national staff, accrued vacation, sick leave and other leave is tracked locally by the Human Resources officer. Country offices may elect to modify Form 4.2B to assist employees with tracking accrued time off, however the official balance of accrued time off must be maintained by the Human Resources department or equivalent.

#### 4.2.3 Approval and Submission

Once an employee has completed his or her Personnel Activity Report for the month, the form should be signed by the employee and submitted to the employee’s supervisor for approval. The supervisor should review the form for accuracy, completeness and reasonableness and sign it. **Supervisors must forward all signed PARs to the Country Finance Manager (or other individual designated by the Country Director) by the 5<sup>th</sup> of the following month for national staff and by the 1<sup>st</sup> of the following month for expatriate staff.**

Staff members who will be absent from the office or otherwise unavailable at the end of a month must make arrangements to complete and submit their PARs within the required time period. Supervisors who will be absent from the office or otherwise unavailable must make appropriate arrangements for the approval of the reports.

**Important** – Employees ending their employment with Mercy Corps are required to submit all outstanding Personnel Activity Reports to the Country Finance Manager on their final day in the

field. This is critical for the accurate calculation of final pay. Personnel Activity Reports for departing employees must be faxed or scanned and e-mailed to HQ immediately.

#### 4.2.4 Submitting Approved Expatriate PARs to HQ

The Country Finance Manager (or other individual designated by the Country Director) is responsible for submitting approved PARs for expatriate employees to Portland HQ in electronic form to [timesheets@mercycorps.org](mailto:timesheets@mercycorps.org) for MC hired expatriate staff and to [edtimesheets@uk.mercycorps.org](mailto:edtimesheets@uk.mercycorps.org) for MCS hired expatriate staff by the **1st of the following month.**

The hard copy original approved expatriate PARs are be submitted to the respective HQ with the monthly financial reporting package.

### **4.3 Expatriate Staff Payroll**

#### 4.3.1 Payroll Process

Compensation of expatriate employees is arranged by and paid from HQ (Portland or Edinburgh). Newly hired employees are required to complete standard employment documentation, which initiates the payroll process and defines how payroll will be paid. All new hire paperwork, status changes and employee documentation is prepared and maintained by HQ Human Resources (Portland or Edinburgh).

Expatriate employees are paid on or around the 7<sup>th</sup> day of the following month. Since accessing cash for daily use can be difficult in many of the places where Mercy Corps works, expatriate employees are eligible to receive a portion of their pay in the field office as an advance. Policies governing payroll advances are outlined in Section 4.6.

#### 4.3.2 Documentation

While expatriate compensation is largely managed from HQ, field offices are responsible for completing and submitting one report each month and one report each calendar quarter, in addition to submitting the Personnel Activity Reports. These reports are described below. Since processing payroll cannot be delayed, it is critical that field offices submit payroll reports to HQ on a timely basis.

##### 4.3.2.1 **Form 4.3B**, Expatriate Payroll Allocation Summary Report

**Form 4.3B, Expatriate Payroll Allocation Summary Report** summarizes, for each expatriate, the percentage of time they spent working on each sub-code/cost center each month. Country Finance Departments and HQ use this summary to assist with allocations of various expatriate expenses that are determined based on time worked on each cost center.

Expatriate employees should be listed on the first column of the report and the applicable cost centers for the field office should be listed across the top. The sub-code for salaries and the sub-code for fringe benefits and actual percentage of time spent on each cost center, as determined by the Personnel Activity Reports, should be filled in for each employee. The total of the allocation percentages by employee should equal 100%. In order to provide a true allocation of actual time spent, it is important that allocation percentages are based on Personnel Activity Reports rather than budget estimates. It is the responsibility of the Country Finance Manager and the Country Director to ensure that allocation information is based on actual time.

The report should be prepared by the Country Finance Manager and submitted to the HQ Assistant Finance Officer (Portland) for employees paid from Portland or International Finance Officer (Edinburgh), copied to the Assistant Finance Officer (Portland), for employees paid by Edinburgh by **the 5th of the following month.** A separate report

**Mercy Corps**  
**Field Finance Manual**  
**Section 4 – Payroll Systems** **Effective: 07/01/10** (supersedes 9/1/06)

must be prepared for Portland and for Edinburgh. A copy of both the Portland and Edinburgh reports, supported by the hard copy original, approved Personnel Activity Reports must also be included with the monthly financial reporting package to Portland.

Note – Expatriate staff must allocate their time worked on the PAR to activities (sub-codes/cost centers). Expatriate staff time cannot be recorded to pool accounts on the PARs.

**Example – Expatriate Payroll Allocation Report, Form 4.3B**

<b>MercyCorps</b>		<b>Expatriate Payroll Allocation Summary Report</b>				<b>Field Finance Manual</b> <b>FFM Form 4.3 B</b>											
Country Office: <u>Examplestan</u>		Month/Year: <u>07/10</u>		X	Mercy Corps												
					MC Scotland												
Employee Name			Cost Center												Total		
			32001		32002		32003		32004		32005		96007				
Country Director	Salary Subcode	Alloc. %	001	23%	101	20%	000	34%	100	7%	001	6%	*	10%			
	Fringe Subcode		002		201		000		212		002		*				
Finance Manager	Salary Subcode	Alloc. %	001	24%	102	27%	000	22%	101	5%	001	12%	*	10%			
	Fringe Subcode		002		201		000		222		002		*				
Program Manager	Salary Subcode	Alloc. %			103	100%											
	Fringe Subcode				201												
	Salary Subcode	Alloc. %															
	Fringe Subcode																
	Salary Subcode	Alloc. %															
	Fringe Subcode																

Notes (reference and describe additional coding instructions and other information): \* = code salary and benefits to 1310-018-00078-00

1. Only use **WHOLE** numbers when entering allocation percentages (i.e. 30%). Do not use partial numbers (i.e. 30.5%).
2. Complete form for all expatriate employees. A separate form must be completed for Mercy Corps employees (paid by Portland HQ) and Mercy Corps Scotland employees (Edinburgh HQ). See for Field Finance Manual, Section 4.3 for more information.
3. Sub-codes and percentage allocations are to be provided from each employee's completed Personnel Activity Report.
4. Total allocation for each employee must equal 100%.
5. This form does not replace the Personnel Activity Report. Personnel Activity Reports must be completed and signed by the employee and supervisor, and sent to headquarters by the 1st of the following month.
6. **This form is due to Portland HQ or Edinburgh HQ on or before the 5th of the following month.**

Page No. 1  
of Total 1

Submitted by: Finance Manager Date: 8/4/10  
(Country Finance Manager) (Version 5/1/10)

**4.3.2.2 Expatriate Taxable Benefits**

Due to United States tax laws, Mercy Corps is required to report taxable benefits for employees who are U.S. citizens or who have U.S. Permanent Resident status.

Mercy Corps  
Field Finance Manual

**Section 4 – Payroll Systems**

**Effective: 07/01/10** (supersedes 9/1/06)

Country offices report to Portland HQ taxable benefits paid by the Country Office for US citizens and Permanent Residents on a quarterly basis. The HQ International Finance Accounting Supervisor or designee will send a list of US citizens and Permanent Residents, the report format and instructions for completing the report to the Country Finance Manager for each calendar year before first quarter reports are due. For each subsequent quarter of the year, an updated list of applicable expatriate staff will be sent to each Country Office.

The Country Finance Manager is responsible for completing the report with expenses paid in the field. HQ will add taxable benefits paid in HQ to the report after it is received in HQ. The completed report must be returned to the Portland HQ Assistant Finance Officer by the specific date indicated in the file instructions (usually the 16<sup>th</sup> of the final month of the quarter).

Taxable benefits required to be reported:

<b>Short-term expatriate employees (assignment less than 12 months) that are U.S. citizens or who have U.S. Permanent Resident status</b>	
<b>Taxable Benefit</b>	<b>What to Report</b>
R&R expense	All expenses related to R&R travel paid during the reporting quarter to or on behalf of the employee, including airfares, expenses, per diems, etc.
Host country employment taxes	All employment related taxes paid by MC to the host country on behalf of the employee. Includes only those amounts actually paid out. Does not include accrued amounts.

<b>Long-term expatriate employees (anticipated length of assignment of 12 months or more, or indefinite assignments) U.S. citizens or who have U.S. Permanent Resident status</b>	
<b>Taxable Benefit</b>	<b>What to Report</b>
Housing – Rent	The lease amount allocable for this quarter. Note -shared housing should be reported on a proportional basis by person.
Housing – Utilities	Amount of utilities paid on behalf of the employee, including water, gas, electricity, and oil for the quarter. Includes cost of security staff (unless required by Mercy Corps), furniture paid for by MC and which is retained by the employee, and repairs and maintenance. Phone is not required to be reported, as it is Mercy Corps' policy for the employee to reimburse for personal use.
Dependent Education	Amount of dependent education that applies to the reporting quarter. (Prepaid tuition should be pro-rated for the quarter.)
Home leave	This includes all home leave related costs paid during the

Mercy Corps  
Field Finance Manual

**Section 4 – Payroll Systems**

**Effective: 07/01/10** (supersedes 9/1/06)

	reporting quarter, including airfares (employee and dependents), excess baggage, in-transit travel, etc. Does not include relocation travel.
R&R Expense	All expenses related to R&R paid during the reporting quarter to or on behalf of the employee, including airfares, expenses, per diems, etc.
Host Country Taxes	All employment related taxes paid by MC to the host country on behalf of the employee. Include only those amounts actually paid out. Does not include accrued amounts.

All amounts should be shown in USD as reported in the general ledger. Questions on whether a particular cost or categories of cost should be included on the quarterly Expatriate Taxable Benefit report should be sent to your Portland Assistant Finance Officer.

#### **4.4 National Staff Payroll**

Responsibility for the payment of national staff compensation rests with field offices. Employees should be informed of payroll policies and procedures and any changes to procedures should be well planned and communicated in advance.

As stated in Section 4.1.2, field offices are expected to comply with local labor law (to the extent that the laws specifically cover these areas) in the payment and administration of national staff payroll, including, but not limited to, the use of employment contracts and their contents as well as the timing of payroll payments and local taxation requirements. Any exceptions must be approved in writing by the Chief Financial Officer.

##### **4.4.1 Determination of Pay**

National staff compensation is determined by the country office. Country offices are expected to create and maintain salary scales and periodically perform and document salary surveys with peer organizations working in the same region. The salary scale should provide the minimum and maximum salary amount for each position and contain grades that reflect qualifications, prior experience and number of years in the position. The **Field Administration Manual**, which is available on the Digital Library, should be referenced for more information regarding salary scales.

In most overseas locations where Mercy Corps works, formal employment contracts are used for national staff. The content of employment contracts may be governed by local law, but generally should contain the terms and conditions under which the employee is hired, including position title, position description, salary or wage rate and the basis for calculation, and duration of contract (start date and end date). Authority to sign employee contracts should be included on the Approval Authority Matrix for each field office. (See Section 2.5 for further information regarding approval authorities.)

##### **4.4.2 Timing**

The timing of national staff payroll payments should be in keeping with the normal practice in country or as required by local labor law. Typically, the payroll cycle will be monthly, with payments being made in the week following the month end. The timing should take into account the complexity and magnitude of the transactions, but payment should take place as soon as possible after the end of the calendar month. Field offices should establish regular pay dates when employees can expect to be paid. Payroll may not be paid prior to the end of the period in which the pay was earned, except on a case by case basis as approved by the Vice President of Program Operations or the Chief Financial Officer.

##### **4.4.3 Payroll System**

Since the methodologies for calculating monthly net pay vary widely depending on local conditions, Mercy Corps does not require the use of a standardized system for calculating national staff payroll. Field offices may use the services of a payroll processing firm if available

or may automate the process in-house. In all cases, however, field offices must maintain standardized worksheets or reports that document the detailed calculation of net pay for each employee. Paid days should be based on data from the Personnel Activity Reports.

HQ Finance may be contacted for assistance in developing national staff payroll systems if needed.

Prior to finalizing a new in-house payroll system, it should be reviewed by a local public accounting firm, if available, to ensure that benefits, withholdings, deductions, employer taxes, other accrued benefits and similar items are being calculated by the payroll system in accordance with local law.

#### 4.4.3.1 Preparation and Review of Monthly Payroll – Internally Prepared

Because methodologies for calculating monthly net pay vary widely depending on local conditions, each Country Finance Department is required to develop a local policy describing the process for preparing and reviewing the monthly payroll. Also see the Field Administration Manual, Section 2.3.7 *Payroll* for additional requirements and information regarding preparation and review of payroll. As payroll and related benefits are usually MC's largest expense, and directly impact MC's employees, extra care and caution should be exercised when preparing and reviewing the payroll.

The Finance Department is responsible for preparing a payroll summary report which shows each employee's gross salary, and additional pay for the period, the calculation of benefits, withholdings, deductions, employer taxes, other accrued benefits and similar items, and net salary (amount to be paid).

The payroll summary report is prepared based on the following information provided by the Human Resources Department:

- originals of the signed personnel activity reports for the payroll period
- a copy of any signed Personnel Action Forms (PAF's) documenting a change to salary or cost center executed during the payroll period
- a copy of any new Work Agreement/Employment Contracts executed during the payroll period.

Calculations of pay are based on local labor law, or in absence of local law, a consistent country policy. For example, a country policy could be that a 22 workday/month base is always used when determining daily rates for a partial work month.

Payroll is calculated based on actual documentation and therefore, payments should not be made unless the required approved documents such as PAF's or monthly personnel activity reports, etc. have been submitted. In the event that personnel activity reports are delayed due to security issues or distance of work sites, payroll should be based on the standard monthly salary and any adjustments should be made in the following payroll period.



Once the payroll summary report has been prepared by the assigned Finance staff member, a separate Finance Department staff member must review the report and verify its accuracy. Generally, the Country Finance Manager will be responsible for reviewing the payroll summary report, although this task may be delegated to another suitably qualified Finance staff member.

After the payroll has been calculated and reviewed, the payroll summary report is submitted to the HR Manager for review and verification. Verification refers to ensuring completeness and accuracy, including checking for missing staff, departed staff, vacation hours, etc. The final payroll summary report is then approved according to the Approval Authority Matrix.

#### 4.4.3.2 Preparation and Review of Monthly Payroll – Externally Prepared

If a third-party payroll processing firm is used to prepare the payroll, the Finance Department is responsible for providing the payroll processing firm with the information required to prepare the monthly payroll. A standard format should be developed and used for relaying the information to the payroll service provider. The Human Resources Department, or equivalent, may check the information prior to being sent to the payroll service provider.

The payroll report prepared by the third-party payroll service must be reviewed and verified by the Country Finance Manager (or delegate) and the HR Manager (or delegate) then approved according to the Approval Authority Matrix, prior to salaries being paid to staff. Verification refers to ensuring completeness and accuracy, including checking for missing staff, departed staff, vacation hours, etc.

Mercy Corps may hire third-party payroll processing firms to prepare the payroll and any other required forms, but Mercy Corps policy is to make the actual salary payments to employees and remittances to government ministries (or similar) directly, not through the payroll processing firm. If payment of salaries or remittance to government ministries is made through the third-party service provider, the Director of International Finance must approve the arrangement in advance.

#### 4.4.3.3 Accruing Monthly Payroll

Payment of salaries on the final day of the month is strongly discouraged, due to the challenges in ensuring that payroll is accurate and because it should be based on PARs completed after-the-fact.

If salary payments are made in the month following the month in which the payroll was earned, the salary amounts must be accrued, by a journal entry, debiting the applicable expense accounts and crediting the liability account (2810). When the salary is then actually disbursed in the following month, the actual payment is coded (debited) in the subjournal to the liability account (2810) to clear the accrual. Any discrepancies between the accrued amount and the actual payment must be investigated and cleared.

#### 4.4.3.4 Documenting Monthly Payroll and Taxes or Benefits Paid to the Government

Supporting documentation for the monthly payroll and for employer and/or employee taxes and benefits paid to the government should be filed in the applicable month’s subjournal binder with the respective subjournal voucher.

Supporting documentation, at a minimum, should include:

Payment Type	Supporting documentation
<b>Monthly payroll</b>	Monthly Payroll Summary Worksheet (reviewed and approved)
	Personnel Activity Reports, FFM 4.2B (originals; signed and approved)
	Personnel Action Forms (PAFs) for new employees or status changes (copy)
	Pay slips/ Payroll roster signed by employee (cash payment)
	Wire transfer requests or copies of cheques (bank payment)
<b>Employee taxes or benefits paid out to the government</b>	Supporting worksheets or claim forms
	Government remittance forms, if any (copies)
	Wire transfer requests or copies of cheques (bank payment)
<b>Employee benefits paid directly to the employee</b>	Supporting worksheets or claim forms
	Cash receipt/roster signed by employee (for cash payment)
	Wire transfer requests or copies of cheques (for bank payment)

#### 4.4.4 Payment Method

Whenever possible, national staff salaries and wages should be paid by check or bank transfer. Employees may only be paid in cash when no other options are available. Field offices may require employees to open a bank account if necessary.

When paying in cash or by check, employees must sign for the payment. This may be done by signing a copy of the pay slip or by signing a roster developed by the finance office. The finance office must maintain documentation that payment was received.

When paying in cash, field offices should require employees to collect their monthly pay at the finance office during designated times. When this is not feasible, a paymaster should be designated from the finance department to distribute pay at project sites. Project managers may not be given the responsibility for distributing pay since it creates an opportunity, either real or claimed, for the abuse of power. Paymasters should be accompanied by at least one other person when distributing cash.

#### 4.4.5 Pay Slips

All employees should receive a pay slip with their salary payment (regardless of method of payment) that documents the details of the payment. The format of pay slip is not prescribed in this manual since local requirements vary widely and use of local language may be necessary. Sample pay slips may be obtained from HQ Finance or the Mercy Corps Digital Library.

At a minimum, pay slips should include the following information:

1. Name of employee and employee identification number
2. Period to which the payment applies
3. Units, rate, and extended amount of gross salary or wage payments
4. Units, rate, extended amount and description for each additional category of pay
5. Units, rate, extended amount and description for each deduction
6. Taxes withheld on behalf of the government or other taxation authority
7. Subtotaled net pay amount

The pay slips are completed using information from the reviewed and approved monthly payroll summary worksheet. Before payroll is distributed, the pay slips must be reviewed by a finance staff member, other than the finance staff member who prepared the payslips, to verify that each pay slip agrees to the monthly payroll summary worksheet.

#### 4.4.6 Allocating National Staff Compensation

National staff compensation must be allocated to cost centers based on the actual hours each staff member spent on a project. The allocation percentages should be taken from the calculations made on the Personnel Activity Reports which are completed monthly by each employee.

Countries may elect, in accordance with the Country cost allocation methodology (see Section 14 – Cost Allocation for more information on cost allocation), to have general and administrative national staff code their time to the appropriate pool account, instead of using cost centers.

## **4.5 Employee Taxes and Benefits**

### 4.5.1 Expatriate Staff

As with expatriate payroll, expatriate taxes and benefits are managed by and paid from HQ (Portland or Edinburgh). A limited number of allowances are managed from the field office, such as housing. Refer to Section 2.5, Approval Authority for more information on approval authorities for expatriate benefits.

#### 4.5.1.1 Expatriate Staff Benefits Accruals

The expatriate staff benefits accruals are prepared and maintained at HQ (Portland or Edinburgh). The composition and rate of the accrual is determined at the beginning of the fiscal year and is posted on the Digital Library. The rate may be adjusted during the year depending upon actual experience and any rate changes will generally be communicated to country finance managers via e-mail. For budgeting and forecasting purposes, country finance managers should always refer to the Digital Library for the current composition and rate of the accrual.

### 4.5.2 National Staff

National staff taxes and benefits should be defined in the National Staff Policy Handbook developed by each country office. Benefits provided to national staff are normally limited to those required by law. In certain cases, other benefits may be added due to accepted and widespread custom. Those benefits that are not required by law must be reviewed and approved by the Vice President of Program Operations. Common types of benefits include health insurance or stipends, pension or social fund contributions, severance pay, etc. Care should be taken to clearly define eligibility and the methodology for calculating and paying benefits.

As stated in Section 4.1.2, it is Mercy Corps' policy to comply with all host country taxation laws and requirements. Any exceptions to this policy must be approved in writing by the Chief Financial Officer.

#### 4.5.2.1 National Staff Benefits Accruals

Some types of benefits are paid out directly when they are earned, such as health benefits. These types of benefits should be recorded as an expense directly in the period in which they are earned and paid.

Other benefits, such as severance pay, are earned over time and will only be paid out at a later date as defined by policy. In order to reflect the future commitment to pay as well as the proper allocation of the expense to projects, these types of benefits should be accrued monthly on the books. The amount that is earned each month should be calculated and recorded as an expense and, since no funds will actually be disbursed until the benefit is paid out in the future, an offsetting liability (account code 2812) should be

set up on the balance sheet. When the benefit is eventually paid, the payment will clear the liability account.

It is the responsibility of the Country Finance Manager to analyze the national staff benefits package to determine if a benefit should be accrued. HQ Finance can assist in this determination if needed. It is also the responsibility of the Country Finance Manager to ensure that benefits accruals are well documented. Because the documentation may carry forward over an extended period of time, it is important that accrual worksheets are clear and well documented. Accrual accounts should be reconciled monthly.

It is currently not Mercy Corps' practice to book accrued leave or vacation pay in field offices. Vacation is expected to be taken regularly as it is earned and should not represent a material payout at the end of an employee's tenure. All vacation and leave policies must contain a maximum accrual cap to prevent excessive accumulation of vacation or leave pay. In field offices where the payout of vacation or leave pay may represent a material amount due to local law or policy, HQ Finance should be contacted for assistance in establishing an accrual methodology.

## **4.6 Payroll Advances**

### 4.6.1 National Staff Payroll Advances

In cases of emergency or extreme hardship, national staff payroll advances may be authorized on a case by case basis as follows, unless otherwise provided for under local law:

1. Individual payroll advances may be approved by Regional Program Directors up to an amount equal to two month's salary and for a period not to exceed two months;
2. All other individual employee advances must be approved in writing by the Chief Financial Officer or Vice President of Program Operations.

Country Directors do not have the authority to approve national staff payroll advances. A copy of the approval as outlined above must be filed with the subjournal voucher.

### 4.6.2 Expatriate Staff Payroll Advances

In many places where Mercy Corps works, accessing cash from outside the country may be difficult. For this reason alone, expatriate staff are allowed to take a fixed portion of their monthly pay in country as an advance. Payroll advances are a privilege rather than a right and may not be abused. Whenever possible, employees should set up their own bank accounts in country to meet their personal cash needs.

Due to the time lag in receiving accounting information from the field, procedures for paying expatriate advances must be strictly followed. These procedures are:

1. Employees desiring to take an advance in the field must complete **Form 4.6A, Expatriate Payroll Advance Authorization**. Employees may receive up to 50% of their gross salary. The designated amount is a fixed monthly figure and may only be changed twice per year. Both the amount and the start date must be indicated on the form.
2. Advances must be denominated in U.S. dollars (USD) for Mercy Corps employees (Portland HQ) and in British pounds (GBP) for Mercy Corps Scotland employees (Edinburgh HQ).
3. By signing the form, the employee authorizes Mercy Corps to deduct the designated amount each month from the employee's paycheck. The standard amount will be deducted automatically. It is the responsibility of the employee to collect his or her advance each month.
4. New employees are not eligible to request an advance until all new hire paperwork has been completed and submitted to HQ Human Resources.
5. Completed **Expatriate Payroll Advance Authorization** forms should be submitted to the HQ Assistant Finance Officer, who will coordinate with HQ Payroll to set up the advance. Field offices will receive a signed confirmation that the advance has been activated.

6. NO ADVANCE MAY BE GIVEN UNTIL THE FIELD OFFICE RECEIVES BACK THE AUTHORIZATION FORM COUNTERSIGNED BY HQ PAYROLL.
7. Before paying a salary advance to a departing employee, approval to pay must be obtained from HQ Human Resources.
8. The monthly advance amount may be changed two times per year: in December, for monthly payrolls from January through June; and in June, for monthly payrolls from July through December. Change periods will be announced by HQ Human Resources as a reminder.
9. To change the advance amount, a new form must be submitted. The new amount is not effective until the field office has received back a copy of the form countersigned by HQ Payroll.
10. Advances should normally be paid to employees in U.S. dollars. Due to the limited availability of dollars in some field offices, the local currency equivalent may be paid as an exception. Field offices must, however, state the standard currency for payment of advances and consistently follow this practice. Employees may not be given the option of which currency they wish to receive on a payment by payment basis. If local currency is paid, the exchange rate given will be the current office cash rate, which is defined as the exchange rate obtained for the most recent conversion of cash on hand. Conversion of British pounds to U.S. dollars should be made using the daily bank rate quoted on the Oanda.com currency conversion website and should be rounded to the nearest dollar.
11. Advances may only be taken in the country office to which the employee is assigned. In special cases, such as extended temporary duty assignments, arrangements may be made in advance with HQ Finance to take the monthly advance in another Mercy Corps office.
12. No one-time advances are allowed. Employees should plan their cash needs carefully or make other arrangements for special needs.
13. Repayment of personal phone or vehicle usage should be made in cash in the field office or by sending a check to HQ rather than by a withholding from payroll. Exceptions must be approved by both the Director of International Finance and HQ HR Payroll Manager.
14. No other personal advances are allowed. Purchases made by Mercy Corps to be reimbursed by the employee are strictly prohibited.

#### 4.6.3 Recording and Clearing Advances

Expatriate advances should be recorded on the balance sheet, in an account designated for that employee (account codes 1300 through 1304). Refer to **FFM Appendix 6, Field Chart of Accounts** for account code definitions. To ensure that account numbers are consistent for consolidation purposes, expatriate advance accounts may only be issued by HQ Finance. The advance account number will be noted in the space provided on **Form 4.6A, Expatriate Payroll Advance Authorization**, when the countersigned copy is returned to the field office.

Mercy Corps  
Field Finance Manual

***Section 4 – Payroll Systems***

***Effective: 07/01/10*** (supersedes 9/1/06)

Expatriate salary advance accounts are reviewed and reconciled at HQ. Periodically, HQ Finance will issue a journal entry to the country office to move the field advances to the HQ ledger via the intercompany account. The journal entry to clear the salary advance accounts will be sent to the field by HQ Finance annually, as a part of the year-end closing.



### **5.1 Purpose and Scope**

The following policies and procedures pertain to the hiring and compensation of consultants.

A **Consultant** is an independent contractor engaged by Mercy Corps to provide professional or technical advice or services. A consultant is typically a self-employed individual, but may be employed by a consulting firm.

Since consultants are independent contractors and are not Mercy Corps employees, policies and procedures related to employees do not apply to consultants. Consultants are not eligible for Mercy Corps benefits.

### **5.2 Consulting Agreements**

As the legal agreement between Mercy Corps and the consultant, the consulting agreement shall in all cases define the scope of work, payment mechanism and other terms of service for consultants. A consulting agreement must be completed before services begin.

#### **5.2.1 International Consultants**

A consulting agreement prepared by the HQ Human Resources Department is required for all international consultants. A consultant is considered an international consultant when he or she is a citizen of any country other than the country in which the work is performed, regardless of residency.

Due to legal, reporting and insurance considerations, HQ Human Resources has the sole authority to prepare and issue international consulting agreements. In addition, all addendums and cancellations must be issued by HQ Human Resources. International consultants who must meet eligibility requirements for European funded grants are hired through Mercy Corps Scotland (Edinburgh). All other consultants are hired through Mercy Corps Portland.

Authorities related to International Consulting Agreements are summarized in the following table: (See also Section 2.5.4 of the Field Finance Manual.)

<b>Agreement Request Approved By:</b>	1. Regional Program Director for all grant-funded consultants or consultants funded from an approved core funds budget; 2. All other by Vice President of Program Operations or Sr. Director of TSU
<b>Agreement Prepared By:</b>	HQ Human Resources (Consulting Agreement Coordinator)
<b>Signed By:</b>	Chief Financial Officer (or MCS authorized party for MCS-based agreements)
<b>Financial Review By:</b>	HQ Regional Finance Officer (or MCS Intl. Finance Officer/Finance Director for MCS-based agreements)

Mercy Corps  
Field Finance Manual

**Section 5 – Consultants**

**Effective: 01/01/10** (supersedes 9/1/06)

Note: Neither Regional Program Directors nor Country Directors have the authority to sign international consulting agreements.

5.2.1.1 Initiating an International Consulting Agreement

To initiate an international consulting agreement, field offices may either:

1. Complete and follow the processing instructions on the “**HQ International Consultant Agreement Request Form**”, which is available on the Digital Library; **or**
2. Forward the information listed in the following table, along with a **Scope of Work** and **Employee Contractor Biodata Sheet** (available on the Digital Library), to the HQ Program Officer, who will complete the required HQ form and submit the request.

HQ INTERNATIONAL CONSULTING AGREEMENT REQUEST INFORMATION	
1.	Consultant Name or Firm Name:
2.	Consultant Address:
3.	E-mail Address:
4.	Nationality of Consultant:
5.	Estimated Start Date:
6.	Estimated End Date:
7.	Place(s) of Performance:
8.	Consultant reports to:
9.	Billing Rate (USD):
10.	Billing Unit (e.g. per day, per training, etc):
11.	Maximum Units:
12.	Maximum Fees (Rate x Total Units):
13.	Eligible for International Per Diem?: Yes/No (MC intl. per diem rates are standard by location and cover meals and incidentals.)
14.	Expected Per Diem Location(s):
15.	Eligible for Reimbursable Expenses?: (Yes/No)
16.	If yes, which types of expenses? (Delete any which do not apply) <ol style="list-style-type: none"> <li>1. Ground transportation, including taxis, public transportation or vehicle rentals.</li> <li>2. Lodging expenses, including hotel or apartment rentals.</li> <li>3. Visas, airport taxes or other entry or exit fees</li> <li>4. Business-related communications costs</li> </ol>
17.	Will the Consultant travel? (Yes/No): (If yes, travel must be booked by the MC Travel Coordinator through the standard Travel Approval process.)
18.	Total Estimated Cost of Agreement: (Total Fees, Per Diems and Reimbursables; Do not include travel cost approved on Travel Approval.)
19.	Coding (Cost Center-Subcode):
20.	State any Non-Standard Terms or Conditions: (Any terms which are not part of the standard MC Consulting Agreement; please be specific.)

The **Scope of Work** must include:

1. **Purpose** - In one to two sentence(s), describe the purpose of this consultancy;
2. **Consultant's Activities and Deliverables** - Define the Consultant's specific activities and deliverables. Identify the major steps and components the consultant will need to

- fulfill the agreement, including to whom the Consultant will confer, necessary reference documents and methodologies;
3. **Time Schedule** if necessary;
  4. **Reports to** - To whom will the Consultant report?

Once a fully approved request has been received by the HQ Consulting Agreement Coordinator, HQ Human Resources will prepare the agreement, assign it a tracking number, and forward it to the HQ Program Officer for delivery to the field office and the consultant. The signed consulting agreement along with supporting documentation will be returned to HQ Human Resources and will remain on file in the HQ Human Resources Department.

### 5.2.2 National Consultants

Standard procurement procedures provided in the Mercy Corps Procurement Manual shall be followed for the engagement of all national consultants. Field offices shall consider local employment law, as applicable, when determining the manner in which to engage local consultants. In all cases, a consulting agreement shall be required.

National consultants are not eligible to receive international per diem rates as defined in Section 5.4. Local per diem rates or eligibility for reimbursable expenses, as necessary for travel or other related expenses in country, may be defined in the consulting agreement for national consultants.

### 5.3 International Consultant Fees

Since it may not always be possible to receive competitive quotes for consulting services given the unique requirements of each consulting assignment, fees should be based on the last daily rate or lower for comparable work as evidenced in the Contractor Employee Biodata Sheet. An increase over past historical rates may only be permitted subject to donor regulations and approval by the Regional Program Director through the standard approval process. Mercy Corps is not able to provide a tax donation for U.S. consultants for rates that are below the individual's regular rate as this is not permissible under U.S. Internal Revenue Service regulations.

International consultant rates and agreements must be denominated in U.S. dollars.

For consulting services charged to grants, donor regulations should be reviewed carefully for regulations pertaining to consultant fees. For USAID grants, Source and Origin regulations (22 CFR 228) must be considered when hiring consultants since the regulations include potential restrictions on the nationality of suppliers.

When negotiating consultant fees, consideration should be given to the deliverables and basis required for payment. Consultants who are contracted to produce a finished product should usually be paid a lump sum upon completion of the product. Daily or time-based fees should be used when the scope of work includes the consultant's daily presence at a particular location or as a member of a team. In any case, the agreement should clearly define the basis upon which the fees will be earned and upon which the payment will be released.

Daily rate payments should normally be based on a five or six day work week, depending upon the scope of work and the ability to actually work on the sixth day. Agreements may not be based on a seven day work week.

#### **5.4 Travel and Other Expenses by International Consultants**

##### **5.4.1 Air Travel**

To ensure compliance with international air travel regulations, airline tickets for consultants must be arranged and paid for directly by Mercy Corps. Travel arrangements for international consultants are made by the HQ Travel Coordinator and payment is processed through HQ Finance. Non-compliant air tickets booked independently by the consultant are not reimbursable. Exceptions to this booking and payment policy may be made on a case by case basis by the HQ Regional Finance Officer and require the following:

1. The exception must be outlined in the consulting agreement;
2. Any applicable rules or regulations that the consultant must follow to comply with Mercy Corps policies or donor policies must also be outlined in the consulting agreement.

All Mercy Corps travel policies as defined in Section 6.3 of the Field Finance Manual apply to international consultant travel. It is important to note that Mercy Corps' policies regarding the Fly America Act also apply to consultants. (See section 6.3.1.5 for policies covering the Fly America Act.)

##### **5.4.2 Per Diem Rates – Meals and Incidental Expenses**

International consultants shall be reimbursed for daily meals and incidental expenses during international travel based on Mercy Corps' ***Schedule of Per Diem Rates for International Consultants***. This schedule is available on the Digital Library and is updated on a periodic basis by the HQ Finance Compliance Department. The per diem schedule is arranged by geographic location.

Per diem payments are intended to approximate actual subsistence expenditures while on international travel status and are made in lieu of reimbursement of actual receipts. It is the sole responsibility of the consultant to maintain proper records to justify per diem payments for taxation purposes.

The following rules apply to per diem rates for international consultants:

1. International travel is defined as travel outside of the country in which the work will be conducted. If the consultant resides in the country in which the assignment will take place, per diem payments will not apply. In these cases and if in-country travel will be required, the consulting agreement will define the eligibility for local per diem or the reimbursement of actual expenses.
2. Per diem payments shall be considered reimbursement in full for the following expenses:

Mercy Corps  
Field Finance Manual

**Section 5 – Consultants**

**Effective: 01/01/10** (supersedes 9/1/06)

- Daily meals, including breakfast, lunch, dinner, taxes and tips
- Laundry and dry cleaning expenses
- Currency exchange, ATM or other banking fees
- Other miscellaneous and sundry items

**IMPORTANT:** Field offices may not reimburse any of the expenses listed above in country since these costs are already included in the per diem rates. Field offices must also ensure that any hotel arrangements paid directly by the field office do not include these charges.

3. The application of per diem rates and the calculation of payments are outlined in the ***International Consultant Per Diem Rates-Rules***, which is available on the Digital Library.
4. Per diem payments may only be paid from HQ. Deviations from this policy must be authorized by the Director of International Finance or Chief Financial Officer.

#### 5.4.3 Other Reimbursable Expenses

The following expenses are not considered part of the per diem rates and shall be reimbursed based on actual expenses, if allowable in the consulting agreement.

- Ground transportation, including taxis, public transportation or vehicle rentals
- Lodging expenses, including hotel or apartment rentals (*Note: Lodging expenses may not exceed on a per day basis the maximum daily rate allowed by the U.S. Dept of State.*)
- Visas, airport taxes or other entry or exit fees
- Business-related communications costs (*Note: Non-business related communications costs are not reimbursable.*)

Reimbursement will be made only upon submission of an itemized invoice. Copies of actual receipts must accompany the invoice. A Mercy Corps expense report may not be used for the reimbursement of consultant expenses. All payments of reimbursable expenses must be submitted to HQ Finance and may not be paid in the field. Exceptions may only be made on a case by case basis by the HQ Regional Finance Officer. If the reimbursement of expenses is requested by the international consultant in the field, field offices should refer the consultant to the procedures outlined in his or her consulting agreement.

When necessary, field offices may arrange for and pay hotel accommodations, visa and local travel expenses directly (rather than having the consultant pay and request reimbursement from HQ). In these cases, however, the field office must arrange with the hotel to collect meal and incidental payments directly from the consultant, since these items are included in the per diem payment.

## **5.5 Advances to Consultants**

### **5.5.1 Advances on Payment of Services**

Neither international nor national consultants are eligible to receive advances on the payment of services.

### **5.5.2 Travel Advances**

International consultants may receive estimated per diem payments in advance to cover travel expenses. Per diem payments may only be paid from HQ. Deviations from this policy must be authorized by the Director of International Finance or Chief Financial Officer.

### **5.5.3 Operational Advances**

In exceptional cases and depending on the scope of work, international consultants may be entrusted with advances to fund Mercy Corps operating costs. In all such cases, the scope and authority for expenditures shall be defined in the consulting agreement and HQ Regional Finance Officer shall be notified. Refer to Section 3.3 for policies regarding operational advances.

## **5.6 International Consultant Invoices**

### **5.6.1 Required Elements**

Invoices shall be submitted according to the terms and conditions outlined in the consulting agreement. Consultant invoices must not be prepared using Mercy Corps letterhead, expense report forms or timesheets since the consultant is not a Mercy Corps employee. All invoices should include:

1. Consultant Name and Address
2. Agreement Number
3. Description of Services Rendered
4. Consultant fees presented in a format that is consistent with the basis of the billing rate. Fees should be calculated showing the rate, number of units and the extended amount.
5. Per diem claims based on the number of days by location and the applicable rate, less any advances for per diems.
6. Itemized allowable reimbursable expenses including copies of receipts. Transactions in foreign currency must show the exchange rate used to convert to US dollars.
7. Payment instructions, including the method (check or wire transfer) and details (mailing address if by check; bank instructions if by wire, including bank name, city/state, ABA, Swift or sort codes, account name, account number, and any special instructions.)

### **5.6.2 Authority to Pay**

Mercy Corps  
Field Finance Manual

***Section 5 – Consultants***

***Effective: 01/01/10*** (supersedes 9/1/06)

International consultant invoices must be presented to and paid by the HQ Finance Department. No payment of invoices, per diems or advances may be made from field offices without prior approval by the Director of International Finance or Chief Financial Officer. Invoices shall be approved according to the applicable HQ Approval Authority Matrix and must include verification from the field office that the services were completed satisfactorily.

## 6 Travel Policies and Procedures

### 6.1 Application and Scope

The following travel policies and procedures apply to Mercy Corps' field-based employees.

Headquarters employees should refer to the [Travel Policy for HQ Team Members](#) on the Mercy Corps Digital Library for applicable travel policies.

Eligibility policies covering expatriate benefits that involve travel, such as relocation, home leave and rest and relaxation (R&R) travel are outlined in the [Expatriate Team Handbook](#) and are managed by HQ Human Resources. These policies may be accessed on the Digital Library.

For grant-funded travel, donor regulations must be considered when making travel arrangements. Mercy Corps policies already reflect many of the most common requirements. There are, however, instances in which donors may place additional requirements or limits on travel approvals and costs. Grant agreements must be carefully read to ensure compliance.

The [Travel Section](#) on Mercy Corps' HUB website provides additional information related to Mercy Corps travel policies and process, as well as additional travel resources.

### 6.2 General Policies

Employees engaged in Mercy Corps funded travel are expected to exercise care and good judgment in incurring expenses. Excessive costs, circuitous routes, or luxury accommodations and services that are unnecessary or unjustified are not allowable. The "reasonableness" test will be applied to all travel expenses.

#### 6.2.1 Travel Approval

Mercy Corps paid travel must be approved in advance by the traveler's supervisor before travel arrangements are made. Travel should be approved in accordance with the Country's Approval Authority Matrix. Travel by the Country Director should be approved in accordance with the requirements of FFM section 2.5.5.1.

See the following sections for specific approval procedures relevant to the applicable type of travel:

6.3.1.1-Procurement of Air Tickets- HQ Contracted Travel Vendor

6.3.1.2-Procurement of Air Tickets-Purchased by the Country Office with a Local Vendor

6.4-Local Travel



## 6.2.2 Accompaniment by Dependents

For field-based employees who are traveling on Mercy Corps business, dependents may accompany the traveler only at the employee’s expense and with prior permission from the employee’s supervisor. All additional costs related to the additional dependent travelers must be paid by the employee, including, but not limited to, airfare, meals, increase in room rate due additional people/larger room size and any other additional costs or higher rates incurred.

For benefit- related travel such as relocation, home leave or R&R travel, eligibility of dependents for travel is subject to the policies outlined in the [Expatriate Team Handbook](#) issued by HQ Human Resources.

## 6.2.3 Personal Travel

Personal travel may be combined with business travel if approved in advance by the employee’s supervisor and the employee provides valid quotations to determine additional cost of personal travel. Personal travel includes, but is not limited to, the following: extended stays or stopovers travel to a destination other than home of record for benefit travel, preferred routes, preferred airlines, extra personal legs, preferred seating or upgraded tickets.

If the business portion of the travel is paid from funding requiring compliance with the Fly America Act, that travel must comply with the requirements of Section 6.3.1.7 below.

All additional costs, including travel agent fees, incurred due to personal travel are the responsibility of the employee. Mercy Corps does not pay for personal travel.

See section 6.3.1.1.1 and 6.3.1.2.1 for additional details related to booking personal travel with the HQ Contracted Vendor or Country Office’s local vendor. See also [Personal Travel](#) in the Travel Section of The Hub for additional information.

## 6.3 International Travel

### 6.3.1 Air Travel

All air travel should be planned to achieve the purpose of the trip in the most practical manner possible. Consideration must be given to both cost and convenience. Travel should be booked at least 2 weeks in advance, or as far in advance as possible, to take advantage of the lowest fares. Only changeable, non-refundable tickets should be purchased (unless refundable tickets are the same or lower price than non-refundable tickets).

#### 6.3.1.1 Procurement of Air Tickets – Purchased with the HQ Contracted Travel Vendor

Before requesting travel itineraries, travel approval should be sought by completing **Form 6.5A, Travel Approval/Advance Request**. See Section 6.5 for information on completing this form and requesting travel advances.

**Exception:** For the initial new hire relocation of expatriate staff to their country of assignment, Form 6.5A does not need to be prepared by the field.

Mercy Corps uses a preferred travel vendor (referred to as “HQ contracted travel vendor”) for certain air travel (including travel funded by MCS grants, when required by this section). See the [Booking Travel](#) pages in the Travel section of Mercy Corps’ HUB website for information and instructions on booking travel through MC’s HQ contracted travel vendor.

The following types of travel must be booked through MC’s HQ contracted travel vendor:

- All relocation travel for US hired expatriate staff (New Hires, Transfers, End Of Service)
- All travel (both expatriate and national staff) that involves the United States (departure, destination, or transit)
- Consultants hired by Mercy Corps U.S., if their travel involves U.S.

The following types of travel are encouraged to be booked through MC’s HQ contracted travel vendor, but it is not required to do so:

- Any other Mercy Corps business travel not specifically excluded below

The following travel should not be booked through MC’s HQ contracted travel vendor:

- Purely personal travel
- Any R & R trip or travel leg
- Travel charged to Separate Legal Entities (SLE) other than MC US and MCS.

Mercy Corps has implemented an automated ticket purchase approval system with the HQ contracted travel vendor. Requests to approve the purchase of a ticket(s) will be generated by the vendor’s system and sent by email to the appropriate approvers, based on the funding source(s) paying for travel. See [Travel Approval Process](#) and [TA and Documentation Process](#) on Mercy Corps’ HUB website for detailed information on the automated approval process.

All supporting documentation for air tickets purchased through the HQ contracted travel vendor, with the exception of Form 6.5A, Travel Approval/Advance Request, is provided by the HQ contracted travel vendor and filed at Mercy Corps’ Portland Headquarters. Form 6.5A, Travel Approval/Advance Request is retained and filed by the Country Office.

#### 6.3.1.1.1 Personal Travel – Air Tickets Purchased with the HQ Contracted Travel Vendor

Any additional cost resulting from personal routing or personal stop-over(s) must be reimbursed by the employee. The HQ Assistant Finance Officer will inform the traveler of

Mercy Corps  
Field Finance Manual

**Section 6 – Travel Policies and Procedures**

**Effective: 7/1/13** (supersedes 2/1/04)

the amount to be reimbursed, and as soon as reasonably possible after notice of amount to be reimbursed, the traveler will pay the reimbursement to their field office. Instructions for recording the reimbursement will be provided to the field office by the HQ Assistant Finance Officer.

The traveler must advise the HQ contracted travel vendor of the detailed trip parameters of the business travel that Mercy Corps would have paid for without personal travel. The agent will supply the lowest logical airfare quote showing the cost of a reasonable and normal routing (complying with Fly America, if applicable) – excluding both personal routing and stop-overs. These quotations will be filed at Mercy Corps HQ and will be used by HQ Accounting to determine the cost of personal travel to be reimbursed by the traveler. The difference between the lowest additional business quote and the actual cost of the trip including personal travel is the amount to be reimbursed.

If the price of air travel increases during the ticketing process, the amount applied to the personal portion will be proportional to the overall increase in price.

Purely personal travel may not be booked through the HQ contracted vendor. If non-benefit dependent travel will be booked in combination with MC team member's business trip, the traveler can purchase the dependent's ticket through the HQ contracted vendor, but the ticket cost and applicable service fees must be paid at time of purchase with a personal credit card.

#### 6.3.1.2 Procurement of Air Tickets – Purchased by the Country Office with a Local Vendor

Before booking air tickets, travel approval should be sought by completing **Form 6.5A, Travel Approval/Advance Request**. See Section 6.5 for information on completing this form and requesting travel advances.

Except as stated in section 6.3.1.1 above, other air tickets for travel by field staff may be procured in the field following the applicable Country Office's air ticket purchase procedure. Country Offices can also select a preferred Travel Agent by following the preferred supplier procurement process in the Field Procurement Manual. Country offices are encouraged to use the MC HQ contracted travel vendor when appropriate, even if use is not required by 6.3.1.1.

For air tickets purchased by the country office (or a sub-office), two separate quotes must be sought from a travel agency, airline, internet source or a combination thereof and the lowest fare meeting the criteria outlined in this section (also called the "lowest logical airfare") should be selected for purchase. In general, the lowest logical airfare (LLA) is the least costly option available that meets the required travel dates and times, while utilizing reasonable and normally traveled routes and adhering to Fly America Act regulations when required.

Direct flights (flights which do not require a change of aircraft) that are not the lowest cost may be selected over a non-direct flight when the direct flight cost does not exceed 120% of the lowest cost non-direct option.

The quotes must be attached to the travel approval form. If two quotes are not available due to circumstances beyond the employee's control, the reason for the lack of a second quote must be noted on the approval form.

See the [TA and Documentation Process](#) in the Travel section of The Hub for additional process details.

#### 6.3.1.2.1 Personal Travel - Air Tickets Purchased by the Country Office with a Local Vendor

Any additional cost resulting from the personal routing or stop-over must be reimbursed by the employee in advance of the trip.

Two additional quotes showing the cost of a reasonable and normal routing (complying with Fly America, if applicable) – excluding both personal routing and stop-overs – must be submitted to document the difference owed by the employee. The difference between the lowest additional valid quote and the actual cost of the trip including personal travel is the amount to be reimbursed.

#### 6.3.1.3 Class of Service

All air travel should be in discounted (advance purchase/non-full fare) coach class and any upgrades shall be at the traveler's expense. Exceptions may only be made when discounted coach class tickets are not available and the passenger must travel on that day, time and carrier. If the traveler chooses to upgrade the class of service for their tickets they must provide valid quotations to determine any additional costs.

#### 6.3.1.4 Routing

Travelers should use the most direct routing available along reasonable and normally traveled routes while taking into account that less direct routings may provide significant cost savings. The least expensive carrier that meets the applicable regulations should be used, unless safety considerations warrant otherwise. Only round-trip and multi-leg tickets should be purchased, unless a one-way ticket is specifically required for business reasons.

The following are eligible reasons for excluding a routing because it does not meet the "reasonable and normally traveled route" criteria:

- Routing includes a layover at any given transit point that exceeds 6 hours for international flights or 3 hours for domestic flights, and other routing used for comparison quotes do not require a layover exceeding 6 hours for international flights or 3 hours for domestic flights.
- Routings that require a changing of airports at a transit point (the in-bound flight arrives at a different airport than the airport the out-bound flight departs from) are not required to be considered unless no other options are available.

#### 6.3.1.5 Security and Safety

The safety of Mercy Corps staff is a priority over cost factors. When identifying flight itineraries for business travel, airlines that meet basic international aviation safety standards should be selected. At a minimum, restrictions on use of airlines will be made in consideration of airlines currently deemed unsafe by all three of: The International Air Transport Association (IATA), Federal Aviation Authority (FAA) and the European Union. See [Essential Security Resources](#) on The Hub for complete details on airline restrictions and exceptions.

#### 6.3.1.6 Airline Ancillary Fees

Mercy Corps will not reimburse for additional charges related to specific seat reservations (e.g., seats reserved in exit rows, bulkhead, other coach class upgrades, etc.). Any exception to this rule must be approved in advance by the traveler’s supervisor and the approval submitted with the traveler’s expense report.

For flights on airlines that charge a fee for all checked luggage, the cost of the first bag is reimbursable. The cost for checking additional bags is only reimbursable if additional bags are required for a business purpose. For benefits related travel such as relocation and home leave, information regarding shipping and excess baggage benefits are provided in the [Expatriate Team Handbook](#).

#### 6.3.1.7 Fly America Act

Any air travel chargeable to a U.S. government grant must be purchased in accordance with the Fly America Act.

If you do not know if the funding source requires adherence to Fly America, please check the [Travel Cost Center Approval and Fly America Compliance Table](#) or verify with Finance.

The Fly America Act requires that a U.S. flag carrier (an airline owned and operated by a US registered company) be used for air travel or shipping whenever service is available by a U.S. carrier. Use of a Fly America compliant carrier is required regardless of whether a foreign carrier can provide the service at a comparable or lower cost, or whether a foreign carrier is preferred due to convenience. The rules provide for a limited number of exceptions, such as when a U.S. carrier is unavailable. In general, however, a U.S. carrier must be used for any travel: 1) within the U.S., or 2) between the U.S. and the last destination point that is served by a U.S. carrier for that particular routing.

In this era of “code-sharing” (code sharing is when the flight is operated by one airline, but tickets on the flight are available and issued under a different airline’s designator code and flight number), it is important to understand the criteria for determining the use of a U.S. carrier. In order to be considered a U.S. carrier flight, when service is provided by a foreign carrier under a “code-sharing” agreement, the ticket, or documentation for an electronic ticket, must identify the U.S. carrier designator code and flight number. Flights operated by a U.S. airline where the ticket, or documentation for an electronic ticket, identifies a non U.S.

carrier are not allowable under the Fly America Act. Flights operated by a foreign airline when the ticket or documentation for an electronic ticket have a U.S. carrier designator code and flight number are allowable under the Fly America Act (e.g., A ticket on a Turkish Airlines operated flight that is coded as United Airlines UA123 would be allowable under the Fly America Act. This same flight with a ticket coded as Turkish Airlines TK456 would not be compliant).

Form 6.5A, Travel Approval/Advance Request contains an additional worksheet for the Certification of Unavailability of a U.S. Flag Carrier. For air tickets procured by the Country Office, travelers are required to complete the certification whenever a non-U.S. carrier must be used, including when U.S. carrier is unavailable. For air tickets procured through the HQ contracted travel vendor, the traveler does not need to complete the certification. The HQ contracted travel vendor will complete the certification on behalf of the traveler.

The *Decision Trees: Is Fly America Applicable?* document on the Digital Library provides guidance for determining whether a particular trip needs to comply with Fly America and for determining whether a US Flag Carrier is available for a particular leg of a trip.

### 6.3.2 Business Travel Expenses

For all Mercy Corps staff traveling internationally for Mercy Corps business, Mercy Corps provides per diem allowances and will pay for other reimbursable expenses related to the business travel. Information on specific business travel expenses is provided below.

Travelers may claim reimbursement for per diems and reimbursable business expenses by completing **Form 6.6A. Travel Expense Report**. Refer to Section 6.6 for instructions.

#### 6.3.2.1 Per Diems for Meals and Incidentals

Mercy Corps staff traveling on business outside the country in which they are assigned are eligible for per diem per Mercy Corps' international travel per diem policy, [\*US and International Per Diem and Business Travel Expense Policy\*](#), which is available on the Digital Library. Please refer to this document for specific instructions on international per diems and other reimbursable business travel expenses.

Exceptions to the international per diem policy have been authorized for certain regional travel. See Section 6.4.1 for more information on regional exceptions.

Per diem allowances cover meals and incidentals and are intended to approximate actual subsistence expenditures while on international travel status and are made in lieu of reimbursement of actual receipts. The per diem rate for meals and incidentals includes all meals, laundry and dry cleaning expenses, miscellaneous items such as newspapers, and all associated taxes and tips.

Per diem is not paid where Mercy Corps provides accommodation and food; this is typically in locations where other options either do not exist or are not used due to security concerns. If accommodation is provided by Mercy Corps, but food is not, the full per diem will be paid.

Rates for per diems and lodging are listed, for each fiscal year, on Mercy Corps' [Meals and Incidentals Per Diem and Hotel Cap Rates](#) schedule. This schedule is available on the Digital Library and is updated on an annual basis by the HQ Accounting Department. The per diem schedule is arranged by geographic location.

It is the sole responsibility of the employee to maintain proper records to justify per diem payments for taxation purposes.

### 6.3.2.2 Other Reimbursable Expenses

The following expenses are allowable travel costs which are not included in the per diem allowance and which will be reimbursed based on actual expenses.

#### 6.3.2.2.1 Accommodation/Lodging

It is Mercy Corps' policy to provide appropriate and reasonable accommodations for employees while traveling. Consideration should be given for comfort, convenience and safety. The standard of accommodations should be in keeping with the purpose of the trip. Where possible and appropriate, staff traveling to the field should stay in Mercy Corps guest housing.

Accommodation rates should not exceed the maximum daily lodging rate per the Meals and Incidentals Per Diem and Hotel Cap Rates schedule. For exceptions refer to the [US and International Per Diem and Business Travel Expense Policy](#).

Travelers are permitted to book a hotel at the point of transit where layovers are required of 8 hours or more due to the available routing of an itinerary.

Travelers can choose to have an overnight at a hotel at a transfer point during transit if the combined flight hours for the itinerary are 20 hours or more (one way).

If Mercy Corps rents and operates guest houses in the location and there is availability, staff will be expected to stay in those guest houses.

Travelers are required to use preferred hotels with negotiated rates at US HQ locations when available. These hotels have direct billing for the room costs plus tax, however any other fees must be paid by the traveler. Traveler must inform the hotel of their Mercy Corps affiliation at time of booking and at check-in to ensure they receive the negotiated rates.

See [Hotel Policy and Procedures](#) in the Travel Section of The Hub for complete details on US HQ location preferred hotels and details regarding hotel bookings made through the HQ contracted travel vendor.

Travelers are expected to take an advance to cover cost of lodging. See section 6.5 for the Travel Advance process. In some situations the travelers will be placed in preferred hotels

with direct billing and payment by the Country Office, however travelers should confirm the payment arrangements before traveling.

#### 6.3.2.2.2 Ground Transportation

Ground transportation includes the use of taxis, public transportation or vehicle rentals. For travel to a field office, ground transportation will generally be arranged by the field office. When traveling in the U.S., ground travel should be by shuttle or bus, if available. Use of a taxi is permissible if the cost is reasonable, the time savings is significant, the ground transport occurs at the end of a long period of flying, and/or if personal security related to bus/shuttle use is an issue.

#### 6.3.2.2.3 Visas, Airport Taxes or Other Entry or Exit Fees

Costs for visas, airport taxes or other entry or exit fees required for business travel are reimbursable. It is the traveler's responsibility to ensure visas are secured. Please follow your Country Office procedure when obtaining visas. See [Visas](#) in the Travel section of The Hub for additional details.

#### 6.3.2.2.4 Business-related Communications Costs

Telephone calls for Mercy Corps business should be made using Skype, from pay phones or Mercy Corps office phones. International telephone calls should generally not be made from hotel rooms due to significant surcharges. Reasonable internet charges incurred at hotels and internet cafes will be reimbursed by MC. Travelers should try to use internet facilities in MC offices when possible instead of paying for internet usage. Personal calls and other non-business related communications costs are not reimbursable as they are included in the per diem rate.

#### 6.3.2.2.5 Business Meals

Meal expenses incurred for business purposes while traveling, such as for meetings or staff functions, are reimbursable, but should be kept to a minimum and should not be lavish or excessive. The purpose of the business meal as well as the individuals in attendance must be disclosed on the expense report.

Instances may occur in which the traveler covers the cost of a meal for work colleagues and/or individuals with whom Mercy Corps has a professional relationship. In these instances, the traveler or "host" is likely to be eligible for per diem whereas the "guests" will not. In these instances, the cost of the meal for the "guests" becomes eligible for reimbursement as an actual expense, subject to normal approvals, but the portion of the meal consumed by the traveler would need to be deducted from this expense since the traveler would be covered by per diem.

#### 6.3.2.3 Personal Property



Mercy Corps does not allow reimbursement for personal property that is lost or stolen while traveling, including lost or stolen cash.

## **6.4 Local Travel**

### **6.4.1 Authority of Local Policy**

Field offices are required to develop a set of policies for local travel. Local travel is defined as travel within a country or regional program area, whether by expatriate or national staff.

Programs that require travel across international borders, such as cross-border programs or where a regional or support office is located in a neighboring country, may include regional travel within the local policy. In these cases, however, Mercy Corps and donor policies governing international air travel must be included in the policy and adhered to.

### **6.4.2 Approval of Local Travel**

Local travel by air or by public ground transportation should be approved in advance by the employee's supervisor using **Form 6.5A, Travel Approval/Advance Request**. See Section 6.5 for information on completing this form and requesting travel advances.

Local travel using Mercy Corps vehicles should be approved as required by the locally developed travel policy procedure.

### **6.4.3 Local Per Diem Rates**

For regular travel between project sites that requires time away from an employee's regular duty post, field offices may develop per diem rates as an alternative to the reimbursement of actual expenses. Per diem rates should be reasonable for the location, approximate actual expenses and be paid in local currency only. Policies covering local per diem payments must be documented in the local travel policy and should apply to both expatriates and national staff. See the **Field Administration Manual** for more information on establishing local per diem policies.

## **6.5 Travel Advances**

Travel advances may be requested using **Form 6.5A, Travel Approval/Advance Request**. The form should be completed, approved by the employee's supervisor and submitted to the Finance Office. Advance amounts exceeding the supervisor's expenditure approval authority should also be approved by the next level of authority. The lower portion of the form should be completed when the cash is disbursed by the finance office to the individual.

A separate Form 6.5A must be completed for each individual traveling. Advances cannot be consolidated under one person.

Travel Approval/Advance Request forms should be sequentially numbered and tracked in a spreadsheet log. The forms should be multipart (Original – Finance Office; Copy 2 – Traveler; Copy 3 – Attached to the disbursement voucher for the advance) and may either be pre-numbered or stamped with a sequential number by the Finance Office when issued. Open advance forms (originals) should be filed and kept in a secure location, preferably the safe, until the advance is cleared.

Advances must be cleared within five working days of the end of a trip. No travel advances may be issued to employees with previous outstanding travel advances.

### **6.6 Travel Expense Reports**

Travel advances should be cleared, and per diems and reimbursable travel costs should be claimed, using **Form 6.6A, Travel Expense Report**. All per diems expenses should be listed on the form and, for reimbursable expenses, supporting receipts and invoices should be attached. Receipts are required as evidence for all reimbursable expenses, except reimbursable expenses under \$25 where no receipt is available. These expenses may be reimbursed by submitting an itemized notation of the expenditure (date, purpose, place and amount) in lieu of a receipt.

Mercy Corps does not accept currencies other than the currency of the advance when employees are repaying advances. Unused foreign currency from travel must be exchanged by the traveler prior to clearing the travel advance.

Travel Expense Reports must be approved by the employee's supervisor (and next level of authority if required by the Approval Authority Matrix) and submitted to the Finance Office. Expense reports must be submitted within five working days of the end of a trip.

Expense reports should be matched to the original Travel Approval/Advance Request (6.5A) by the Finance Office. The Advance Request number should be referenced on the Travel Expense Report (6.6A) and the Advance Request should be stamped "CLEARED" and dated. The Travel Approval/Advance Request (6.5A) should be attached to the Travel Expense Report (6.6A), logged out of the advance spreadsheet and filed with the disbursement voucher. The voucher number should be referenced in the log to allow the original advance to be looked up if necessary.

In general, expense reports should be submitted and travel advances should be cleared from the same place that they were taken. Specific rules that must be observed are:

1. HQ travelers must clear all advances at HQ. In general, HQ travelers should avoid taking advances in the field. If an emergency advance must be given in the field, the field office should alert the HQ Regional Finance Officer responsible for the region and record the advance in the Intercompany Account. An advance account should not be set up for an HQ employee on the field ledger.
2. Expense reports for relocation travel may ONLY be submitted to HQ. In special circumstances, arrangements may be made for the actual disbursement to be made in cash at

Mercy Corps  
Field Finance Manual

***Section 6 – Travel Policies and Procedures***

***Effective: 7/1/13 (supersedes 2/1/04)***

the field office. These arrangements must be made in advance with the HQ Regional Finance Officer responsible for the region.

3. Field-based employees receiving a travel advance from HQ must submit their expense reports to HQ. Finance managers in the field should collect any funds remaining from the advance and record the cash in the Intercompany Account. The original expense report should then be forwarded to HQ.

## **14 Cost Allocation**

### ***14.1 Purpose and Scope***

Cost allocation is the process of distributing cost to the projects or activities that received benefit from the cost. Costs are allocated in proportion to the amount of benefit received such that each project or activity bears its fair share of the cost.

It is Mercy Corps' policy to record all revenues and direct expenses under the project or activity that gave rise to or benefited from the revenue or direct expense. All expenses incurred by field offices are considered to be direct project expenses since they relate only to the activities undertaken in that country office or mission rather than to the agency as a whole.

This section is intended to serve as a basic framework, recognizing that field offices may need to consider practical implementation issues. Field offices are responsible for developing and documenting actual methodologies used for calculating and recording the allocation of costs in a Country Office Cost Allocation Policy document.

### ***14.2 Basic Cost Principles***

#### **14.2.1 Allowability**

Costs charged to projects or activities must be incurred in conformance with Mercy Corps and donor policies and regulations. All costs should be in compliance with applicable laws and regulations and follow sound business practices. Unallowable costs must be charged to non-grant funding sources and must be approved at HQ according to the HQ Approval Authority.

#### **14.2.2 Reasonableness**

In order to be charged to a project or activity, a cost must be reasonable for the performance of the activity. The cost must be generally recognized as ordinary and necessary for the operation of the project and must be reasonable in its amount and nature. Field offices should always carefully consider the reasonableness of costs given Mercy Corps' humanitarian mission and the scarce availability of resources.

#### **14.2.3 Allocability**

A cost is allocable to an activity or project in accordance with the proportional benefit that the activity received. Field offices should consider the scope of an allocation to ensure that unrelated projects do not bear a portion of the cost. The basis upon which costs are allocated must also be carefully considered to ensure a fair allocation. A cost must be allocated in a consistent manner with other costs incurred for the same purpose in similar circumstances.

### **14.3 Basic Principles of Allocation**

Each field office must determine and document the appropriate allocation methods that reflect the variety of circumstances and situations encountered in that field office. Allocations must be consistent in treatment of similar costs, calculated using a rational basis, and follow the general principles outlined in the section. Categories of costs should be considered individually and the basis for allocation should produce a reasonable proportional share.

#### **14.3.1 Levels of Allocation**

1. A cost incurred specifically for a project must be charged to that project only. An example would be a direct program expense such as construction costs in an infrastructure project or the project manager's salary and benefits.
2. A cost incurred for more than one project must be distributed in reasonable proportion to the projects that it benefits. Costs that relate to several projects but do not have general applicability to all projects undertaken by the country office or mission must be allocated only among the applicable projects. An example would be the cost of a satellite office from which only a few projects are implemented. This cost would be allocated only over the applicable projects.
3. General office costs that benefit all projects undertaken by the country office or mission should be allocated over all projects. Country or Mission Director expenses and finance and administration expenses are examples of general field office expenses. Exceptions may be made for small projects which do not benefit from these general costs and where the proportional share of costs would be immaterial.

#### **14.3.2 Basis for Allocation**

The allocation basis determines the relative percentages by project that should be applied to an item of cost to produce the amounts to be charged to each project. The basis for allocation for each cost category should be considered carefully to produce a reasonable proportional share of the cost. A traceable cause and effect relationship or logical rationale should be used to select the base. The allocation basis selected should produce results that are equitable to both the donor and Mercy Corps and should be drawn from the same period as the cost to be allocated. Guidelines for allocation methodologies are provided in section 14.5.

Once the basis has been selected for a type of cost, it should not be changed unless circumstances change and the basis no longer produces an equitable allocation. The reason for a change in basis should be documented.

#### **14.3.3 Budgeting Implications**

Costs must not be allocated to projects based on the percentages set in the budget. The allocation base must always reflect actual costs incurred in a related time period. Budgets should always be based on reasonable allocations rather than allocations being based on budgets.

In cases where there is insufficient budget to cover the allocated expense, the budget should be realigned or alternate sources of funding should be sought to cover the cost. The flexibility levels provided in most donor regulations should also be considered.

When budget provisions exceed the actual cost allocated, field offices should consider realigning the budget so that the excess funds can be used for other purposes. In this case actual allocations should not be artificially increased to absorb budget provisions.

#### 14.3.4 Documenting Allocations

Allocations must be supported by adequate documentation. Both the allocation basis and the amounts to be allocated must be traceable to source documentation to ensure a proper audit trail.

- For simple allocations between several projects, a notation and calculation on the invoice or voucher may suffice.
- For more complicated allocations, a worksheet should be prepared which shows the amount to be allocated, the basis for allocation, the relative percentages derived and the final allocated amounts by project. Both the amounts to be allocated and the basis should be readily traceable to source documentation.
- For recurring allocations in offices where projects are relatively consistent from month to month, a single calculation can be made periodically, supported by the appropriate evidence, and filed. Reference can then be made to that file when preparing the journal entry for the recurring allocation.
- For allocations that vary based on facts and circumstances, individual supporting documentation must be prepared for each allocation.

#### 14.3.5 Pool Accounts

To facilitate the allocation of general expenses over all projects, pool accounts may be used. A separate suspense account (2999) should be set up for each cost category. Costs charged to pool accounts must be allocated and cleared on a monthly basis. This is usually done as a final step in the monthly closing process when the basis for allocating the costs has been finalized. Under no circumstances should pooled amounts be carried over to subsequent periods.

When charging to pool accounts, great care must be taken to ensure that only costs that can be allocated over all projects are included. Costs that benefit only a subset of projects must not be charged to pool accounts since they will be subsequently allocated over all projects. These costs must instead be allocated on a transaction by transaction basis.

### ***14.4 Calculating Allocations***

The following steps outline the basic process for calculating cost allocations. Examples are also provided below to illustrate sample calculations in detail.

Mercy Corps  
Field Finance Manual

**Section 14 – Cost Allocation**

**Effective: 2/1/04**

- Step 1:** Determine an appropriate allocation basis for the type of cost to be allocated. See Section 14.5 for methodologies by cost category.
- Step 2:** Identify actual amounts by project for the selected basis (e.g. hours worked on each project, office square-footage by project, etc.) for the corresponding time period.
- Step 3:** Calculate the percentage of total by project for the allocation basis.
- Step 4:** Apply the percentages by project to the item of cost to be allocated to arrive at the amounts to be charged to each project.

**Example 1:** *Allocation of office rent for the month of January*

**Expense to be allocated:** \$4,500 for January rent

**Allocation Basis:** Space usage based on the square-footage of the office building excluding administrative and common areas

Cost Center	Square-footage*	% Calculation	Percentage	Allocated Cost
111	400	400 / 2,000	20%	<b>\$900.00</b>
222	750	750 / 2,000	37.5%	<b>\$1,687.50</b>
333	600	600 / 2,000	30%	<b>\$1,350.00</b>
444	250	250 / 2,000	12.5%	<b>\$562.50</b>
<b>Total</b>	<b>2,000</b>		<b>100%</b>	<b>\$4,500.00</b>

\* Square-footage of the office building by project excluding administrative and common areas

**Example 2:** *Allocation of cell phone expense for the Health Coordinator for June*

**Expense to be allocated:** \$500 for June cell phone charges for the Health Coordinator

**Allocation Basis:** Time worked on each project during the month of June as determined by the employee's salary allocation

Cost Center	Salary Allocation for June*	% Calculation	Percentage	Allocated Cost
111	\$0	0 / 3,000	0%	<b>\$0</b>
222	\$1,500	1,500 / 3,000	50%	<b>\$250</b>
333	\$900	900 / 3,000	30%	<b>\$150</b>
444	\$600	600 / 3,000	20%	<b>\$100</b>
<b>Total</b>	<b>\$3,000</b>		<b>100%</b>	<b>\$500</b>

\* Salary allocation must be determined by the actual time recorded on the employee's Personnel Activity Report, or timesheet, for that month.

## **14.5 Methodologies by Cost Category**

### **14.5.1 Salaries & Wages**

Salaries and wages must be charged to projects in accordance with the actual hours an employee worked on a project. Allocations should not be based on budget estimates, but should reflect an after-the-fact determination of actual time. (Refer also to Section 4 – Payroll). When an employee works on more than one project, the employee's salary must be distributed on the basis of the time worked on behalf of each project as a percentage of total time worked. An accurate record of time and effort, the *Personnel Activity Report*, must be kept for each employee. Salary allocations are calculated monthly.

### **14.5.2 Staff Benefits**

Staff benefits and allowances should be allocated by employee using the same proportions as that employee's salary or wages during the same time period. The allocation is calculated monthly.

### **14.5.3 Travel Expenses**

Travel expenses incurred for the benefit of a particular program should be charged directly to that program. General travel costs or travel costs incurred as a benefit or allowance (e.g. home leave, R&R) should be allocated by employee based on the same proportions as that employee's salary or wages applicable at the time of travel.

### **14.5.4 Facilities Costs**

Facilities costs generally include rent, utilities, repairs and maintenance, security services, etc. The square-footage used for each activity as a percentage of the total activity square-footage of the facility (excluding administrative and common areas) is the preferred basis for facilities allocations. In offices where projects change frequently, the relative proportion of salaries or FTEs (full-time equivalent statistics) by project may be used as a reasonable approximation.

### **14.5.5 Equipment**

#### **14.5.5.1 Small Equipment**

Small equipment (non-consumable equipment and furniture having a useful life greater than one year and a unit cost less than \$500) can be allocated in the same manner as facilities costs.

#### **14.5.5.2 General Equipment**

General equipment (non-consumable equipment and furniture with a useful life greater than one year and a unit cost greater than or equal to \$500 but less than \$5,000) must be charged directly to a project. General equipment may not be allocated.



#### 14.5.5.3 Capital Equipment

Capital equipment (equipment with a useful life exceeding one year and having a unit cost of \$5,000 or greater) must be charged directly to a project. Capital equipment may not be allocated.

#### 14.5.6 Communications

Whenever possible, offices should charge communications costs directly to the project for which the cost was incurred by means of phone logs or itemized billings. Cellular phones or phone cards assigned by employee may be charged based on that employee's salary or wages allocation applicable in the same time frame. Communication costs which cannot be directly identified to a project should be allocated in the same manner as facilities costs.

#### 14.5.7 Supplies

Supplies purchased directly in support of a project should be charged directly to that project. When possible, offices should try to allocate supplies costs based on usage by project. Where this approach is not feasible or the cost associated with such record keeping would be excessive related to the benefit, supplies may be allocated in the same manner as facilities costs.

#### 14.5.8 Vehicle Operating Expenses

Vehicle operating expenses include fuel costs, repairs and maintenance, insurance and registration. Where vehicles are assigned directly to projects, vehicle operating costs associated with that vehicle may be charged directly to the project. For shared-use vehicles, vehicle operating costs should be allocated based on usage by project. Usage by project may be determined from vehicle logs.

#### 14.5.9 Banking and Other Financial Fees

Whenever possible, fees should be allocated to projects in the same proportions as the expenses for which they were incurred. If fees cannot be directly associated with a project, they should be allocated based on the total amount spent for each project during the month.

#### 14.5.10 Program Expenses

Program expenses should be directly identifiable and charged to a single project. If a program expense is not directly identifiable, it is necessary to take a facts and circumstances approach to allocating the cost.

#### 14.5.11 Credits

Credits, such as purchase discounts, rebates or allowances, recoveries or indemnities on losses, insurance refunds, and adjustments, overpayments or over-accruals of expenses must be recorded

as reductions to expense and credited back to projects in the same proportions as the original expenses that gave rise to the credits. Since many donors require credits to be returned even after a grant has closed, credits received after grant close-out should be charged to the original cost center and the HQ Field Finance Group should be alerted for follow-up.

## 16 Closing Cycles and Headquarters Reporting

### 16.1 Closing Cycles

#### 16.1.1 Fiscal Year Closing

Mercy Corps' fiscal year runs from **July 1 to June 30**. The fiscal year is dated based on the year ending date, *i.e. fiscal year 2003 runs from July 1, 2002 to June 30, 2003 and fiscal year 2004 runs from July 1, 2003 to June 30, 2004, etc.*

The fiscal year is officially closed after the annual Headquarters audit, which usually takes place in the Fall. Field offices will be notified by HQ when the fiscal year is officially closed.

#### 16.1.2 Monthly Closing

The monthly period is based on the calendar month. Mercy Corps closes its worldwide books monthly by the 20<sup>th</sup> day of the following month.

Once the monthly General Ledger system files (zipped MAS 90 company) has been submitted to HQ from the field, field offices should consider the period closed. Any adjustments or corrections should be made in the following period unless otherwise directed by HQ Finance.

### 16.2 Reporting Requirements to Headquarters

The following table summarizes Mercy Corps' reporting requirements for field offices. For each reporting requirement, the due date, name of the report and form number, to whom the report is submitted and the reference section in this manual are provided.

It is important to note that the due date reflects the date that the report is required in Portland or Edinburgh. Field offices should factor in transit time for courier shipments to ensure that the required documentation arrives by the due date.

**Form FFM 16.2 A, Monthly Reporting Checklist to Portland HQ** contains the required elements for the monthly financial reporting package required by Portland HQ. This form should be used as a coversheet for the monthly package to ensure that all elements have been included.


**Form FFM 16.2 C, Monthly Reporting Checklist to Edinburgh HQ** contains the required elements for the monthly financial reporting package required by Edinburgh HQ. This form should be used as a coversheet for the monthly package to ensure that all elements have been included.

**Form FFM 16.2 B, Fiscal Year End Reporting Checklist** contains the required elements for the fiscal year end reporting package. This form should be used as a coversheet for the submission. The year end package is required in addition to the monthly package for June.


<b>REPORTING REQUIREMENTS TO HEADQUARTERS</b>				
<b>Due Date</b>	<b>Report Name</b>	<b>Form Number</b>	<b>Submitted To</b>	<b>Manual Reference Section</b>
<b><i>MONTHLY REPORTING</i></b>				
25 <sup>th</sup> day of the month for the following month	Monthly Cash Flow Projections	Form 3.4 A	HQ Assistant Finance Officer – Portland and International Finance Officer - MCS	Section 3.4
1st day of the following month	Expatriate Personnel Activity Reports (MC hired expatriate staff)	Form 4.2 A	timesheets@mercycorps.org	Section 4.2
1st day of the following month	Expatriate Personnel Activity Reports (MCS hired expatriate staff)	Form 4.2 A	edtimesheets@uk.mercycorps.org	Section 4.2
5th day of the following month	Expatriate Payroll Allocation Report; Expatriate Personnel Activity Reports (approved)	Form 4.3 B	HQ Assistant Finance Officer – Portland and International Finance Officer - MCS	Section 4.3
9 <sup>th</sup> day of the following month	Subjournals *	N/A	International Finance Officer - MCS	N/A
12 <sup>th</sup> day of the following month	Monthly Reporting Package (MC)	Form 16.2 A	HQ Assistant Finance Officer - Portland	Section 16.2
12 <sup>th</sup> day of the following month	Monthly Reporting Package (MCS)	Form 16.2 C	International Finance Officer - MCS	Section 16.2
<b><i>QUARTERLY REPORTING</i></b>				
16 <sup>th</sup> day of the month following the end of the quarter (or as instructed)	Expatriate Taxable Benefits	N/A	HQ Assistant Finance Officer - Portland	Section 4.3
<b><i>FISCAL YEAR END REPORTING</i></b>				
July 31	Fiscal Year End Reporting Package	Form 16.2 B	HQ Assistant Finance Officer – Portland and International Finance Officer - MCS	Section 16.2

\* International Finance Officer - MCS will review and return comments on Subjournal within one working day.


**Form 16.2 A - Monthly Reporting Checklist to Portland HQ**

	<b>Field Finance Manual Form FFM 16.2 A</b>
<b>MONTHLY FIELD REPORTING PACKAGE TO PORTLAND HQ</b>	
<b>DUE DATE:</b> In Portland by the 12 <sup>th</sup> of the following month	
<b>SUBMIT TO:</b> HQ Assistant Finance Officer	
<b>FIELD OFFICE:</b>	
<b>MONTH / YEAR:</b>	
<b>SUBMITTED BY:</b>	
<b>DATE SUBMITTED:</b>	
<b>To be sent electronically via File Exchange or email:</b>	
<input type="checkbox"/> General Ledger system files (zipped MAS 90 company) <input type="checkbox"/> Electronic copies of sub-journal spreadsheets	
<b>To be sent either electronically via File Exchange or email, or in hard copy by international courier:</b>	
<input type="checkbox"/> Printed/pdf copy of the trial balance <input type="checkbox"/> Printed/pdf copy of the sub-journal spreadsheets (signed and approved*) <input type="checkbox"/> Copy/pdf of Form <b>FFM 3.1 A</b> , Cash Count for all field cash accounts (signed and approved) <input type="checkbox"/> Copy/pdf of <b>FFM 3.2 A</b> , Field Bank Account Data for any new bank accounts <input type="checkbox"/> Copy/pdf of Form <b>FFM 3.2 B</b> , Monthly Bank Reconciliation for all field bank accounts (signed and approved); copy/pdf of the bank statement must be attached <input type="checkbox"/> Quarterly reconciliation (March, June, September, December) of all other balance sheet accounts (excluding cash, bank and intercompany accounts) <input type="checkbox"/> Explanation and supporting documentation as required for charges coded to the intercompany account <input type="checkbox"/> Copies/pdf of support documentation with English translations for all procurement transactions exceeding USD 150,000 (each payment related to the transaction is submitted). Support documentation must include voucher, invoice/receipt, procurement file (see Procurement Manual for procurement file requirements) and evidence of receipt if paid in cash. <input type="checkbox"/> Copies/pdf of any financial reports submitted by the field office to donors during the month <input type="checkbox"/> Copies/pdf of new grant agreements signed in the field office during the month	
<small>*Signed and approved for the sub-journals means they are signed by the staff member who reviewed and finalized the sub-journal. If sub-journal is for a field office, sub-journal does not need to be returned to field office for signature after review and updates in the Country office.</small>	

**Form 16.2 C - Monthly Reporting Checklist to Edinburgh HQ**

	<b>Field Finance Manual Form FFM 16.2 C</b>
<b>MONTHLY FIELD REPORTING PACKAGE TO EDINBURGH HQ</b>	
<p><b>DUE DATE:</b>    Subjournals – received by Edinburgh by the 9<sup>th</sup> of the following month                                General Ledger and Reporting Package – received by Edinburgh by the 12<sup>th</sup>                                of the following month</p> <p><b>SUBMIT TO:</b>    International Finance Officer, Edinburgh HQ</p>	
<b>FIELD OFFICE:</b>	
<b>MONTH / YEAR:</b>	
<b>SUBMITTED BY:</b>	
<b>DATE SUBMITTED:</b>	
<p><b>To be sent electronically via File Exchange or email where possible otherwise in hard copy by international courier:</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Electronic copies of sub-journal spreadsheets.</li> <li><input type="checkbox"/> General Ledger system files (zipped MAS 90 company).</li> <li><input type="checkbox"/> Explanation and supporting documentation for any charges coded to the interagency account (1250).</li> <li><input type="checkbox"/> Copies/pdf of support documentation with English translations for all expense transactions exceeding USD 45,000 and for all capital expenditure (MCS cost centers only). Support documentation must include voucher, invoice/receipt, procurement file (see Procurement Manual for procurement file requirements) and evidence of receipt if paid in cash.</li> <li><input type="checkbox"/> Copies/pdf of any financial reports for MCS cost centers submitted by the field office to donors during the month.</li> <li><input type="checkbox"/> Copies/pdf of new grant agreements for MCS cost centers signed in the field office during the month.</li> <li><input type="checkbox"/> Copies/pdf of reports from partners for MCS cost centers with certification that the expenditure has been actually and necessarily expended under the grant agreement.</li> </ul>	

**Form 16.2 B, Fiscal Year End Reporting Checklist**

	<b>Field Finance Manual Form FFM 16.2 B</b>
<b>FISCAL YEAR-END FIELD REPORTING PACKAGE</b>	
<b>DUE DATE:</b> In Portland by July 31 <b>SUBMIT TO:</b> HQ Assistant Finance Officer, Portland HQ and International Finance Officer, Edinburgh HQ	
<b>FIELD OFFICE:</b>	
<b>SUBMITTED BY:</b>	
<b>DATE SUBMITTED:</b>	
<p><b>To be sent either electronically via File Exchange or email, or in hard copy by international courier:</b>  <i>(Please note: This package should be sent separately from the regular monthly package.)</i></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Updated Form <b>FFM 2.4 A</b>, Segregation of Duties Matrix</li> <li><input type="checkbox"/> Updated Form <b>FFM 2.5 A</b>, Approval Authority Matrix</li> <li><input type="checkbox"/> Updated Form <b>FFM 3.2 A</b>, Field Bank Account Data for all bank accounts</li> <li><input type="checkbox"/> Asset Inventory Report per the requirements in the <b>Field Asset Manual</b> Section 6.1.1.</li> <li><input type="checkbox"/> Warehouse inventory count records for all commodities (food and non-food items)</li> <li><input type="checkbox"/> Facilities list for all owned, leased or rented facilities and copies of lease agreements.</li> </ul> <p style="margin-left: 20px;">The report should include the purpose (e.g. office, warehouse or expatriate housing), location (city and address), lease term (start date and end date), monthly rental rate and the total value of the lease. Use of <b>FFM Template 17A.9 – Facilities Lease Register</b> is recommended for this report.</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Updated Form <b>FFM 17.1 B</b>, Finance Records Archive Index</li> <li><input type="checkbox"/> Copy of the current Country Office Human Resources / Personnel Manual</li> <li><input type="checkbox"/> Copy of the current Country Office Cost Allocation Policy</li> <li><input type="checkbox"/> Copy of the current Country Office locally developed Finance Policies.</li> <li><input type="checkbox"/> Copies of all external audit reports (statutory and/or project audits), including management letter if applicable, issued during the Fiscal Year.</li> </ul>	

## 17 Record Keeping and Archiving

### 17.1 Purpose and Scope

For the purposes of this section, record keeping refers to the organizing, filing and maintenance of physical documents which support financial transactions and internal controls. Archiving refers to the long term storage of these financial records once they are no longer needed for reference in relation to current operations.

The maintenance and archiving of electronic financial records (e.g. general ledger files, subjournals, supporting spreadsheet files, etc.) is accomplished through the periodic submission of electronic records from country offices to HQ as outlined in **Section 16, Closing Cycles and Headquarters Reporting** and is not covered in this section.

This section is intended to cover the basic record keeping for financial documents. Program, Operations and Administrative Department record keeping is beyond the scope of this manual. Guidance regarding record keeping requirements for the following non-finance areas can be found at:

Area	Location
Human Resources	Field Administration Manual, Section 2.2.1 to 2.2.5
Administration	Field Administration Manual, Section 3.3 and 4.3
Assets	Field Asset Management Manual, Section 9
Fleet Management	Fleet Management Policy Guidelines, Section 13
Warehouse/Inventory Management	Warehouse Policy & Procedure Guideline, Section 12

However, note that because the maintenance of a complete archive of historical documents is a compliance requirement, Section 17.5 - Record Retention Policy applies to Finance Department records and Operations and Administrative records.

### 17.2 General Policies

#### 17.2.1 Responsibility for Financial Record Keeping and Archiving

The Country Finance Manager is responsible for the financial records kept in the country program. This responsibility includes:

- Ensuring that current records are complete, properly organized and appropriately stored.
- Safeguarding and maintaining control over the financial record archive.
- Ensuring the timely retrieval and subsequent re-filing and re-securing of any financial records requested for audit or inspection.

#### 17.2.2 Transparency



It is Mercy Corps policy that financial transactions be recorded and documented in a transparent manner. Transparency refers to the practice of open, clear and accurate documentation and processes. Transparency allows information to be readily available for use in decision-making or to assess organizational or program performance. This includes conducting all financial transactions and activities in an open and traceable manner and retaining adequate documentation as evidence. Physical records must be traceable to and from the general ledger as well as all financial reports.

Parties who authorize transactions are responsible for ensuring that the documentation is complete, well organized, and clearly shows why the transaction was made. An independent reviewer should be able to easily understand what the nature of the transaction was as well as why and how the transaction was made.

### 17.2.3 Safeguarding Records

Records serve as basic evidence that a transaction took place and that Mercy Corps and donor policies were followed. Missing or inadequate records can result in audit findings and costly disallowances, as well as a loss of trust from donors. Field offices must therefore take care to ensure that financial records are safeguarded from loss or misuse.

It is Mercy Corps policy that financial records in country offices must be kept in offices, storage containers or cabinets which are secure and can be locked. Key access to this storage must be restricted to authorized personnel only.

Destroying financial records is strictly prohibited except as outlined in Section 17.5 – Record Retention Policy.

### 17.2.4 Original Documents

Original versions of financial records, such as agreements, leases, contracts and subgrants, should always be maintained by the Finance Department. Offices should be consistent in filing and storing each category of original documents, so that each original document can be easily located.

Most documents used to support a transaction should be original documents. This includes procurement documents – see the Field Procurement Manual, Section 11 “The Finance Department requires a complete set of procurement documentation to support payments made” and “In general, the originals of the procurement forms and documents will be forwarded to the Finance Department”.

Human Resources is responsible for maintaining and filing most original employee documentation. The exception is for National Personnel Activity Reports (FFM Form 4.2B), which are included with the supporting documentation for payroll disbursement.

When original documents cannot be located, every effort should be made to obtain copies of the missing documentation from other sources, including the vendor if applicable. If the original documents or copies cannot be obtained, a missing document memo must be written. The memo should include a detailed description of each missing document and the reason the document is

missing. The memo must be signed by the Country Director, and is filed as a supporting document for the related transaction.

If auditors or donors require original documents, copies should be made to replace the originals before transferring the documents. A notation should be made on the copy to document the date of removal, to whom the documents were given and location of the originals. Regular checks on the status of documents provided to auditors or donors should be performed to ensure the documents are returned in a timely manner.

### **17.3 Record Keeping Procedures**

#### **17.3.1 Filing Systems**

Field offices are responsible for maintaining appropriate filing systems in accordance with the standards outlined in this section. To assist offices with this, a filing system accompanied by tools and templates is provided in **FFM Appendix 17A – Recommended Finance Filing System**. The recommended finance filing system provides a complete and comprehensive finance filing system that allows critical documents to be easily located at all times.

##### **17.3.1.1 Filing Systems – General Standards**

Filing systems should be simple, applied consistently and logical in the context used. Files should be maintained in an organized manner that ensures retention and allows for easy retrieval. Documents must be referenced in a manner that provides assurance that the records are complete and that allows transactions to be traced from financial reports to the original source documents and vice-versa.

Depending on the type of documentation, filing should be organized chronologically by document reference number (Examples - Journal Voucher, Contract Number), general ledger account number or general ledger entry number, as appropriate.

Finance files should have labels that describe the purpose of the file and the specific documents contained in the file (i.e. Journal Vouchers KAG 08-0001 to KAG 08-0156).

##### **17.3.1.2 Organizing Records by Fiscal Year**

In order to facilitate later archiving and retention of records, every effort should be made to organize files on a fiscal year basis. Archiving and retention dates are assigned on the basis of fiscal years, so files not maintained on a fiscal year basis will have to be reorganized prior to archiving.

#### **17.3.2 Current Records**

Filing systems should be differentiated by current records (office) and non-current records (archive). Current records are those that may need to be referenced in the normal course of business. Non-current records are those that must be retained due to policy, donor regulations or

law, but will not likely be needed in the normal course of business. For financial records, the distinction between current and non-current records is generally made by fiscal year.

Current records may be kept in an easily accessible manner, but should be secured within a locked office and kept in a lockable cabinet.

#### **17.4 Archiving Procedures**

Non-current records that must be retained due to policy, donor regulations or law are archived and stored by the Country Office. Field office finance records should be archived at the Country Office. Archived records must be boxed, indexed and stored in a secure location.

Country Finance Managers are responsible for ensuring all non-current finance records are archived in accordance with the procedures in this section.

##### **17.4.1 When to Archive Financial Records**

Finance records should be archived when they are no longer likely to be needed for reference in the normal course of business. Permanent records, as defined in Section 17.5.1, are by definition current records and are not archived.

Financial records related to a specific fiscal year are archived on a yearly basis after the completion of the annual MC worldwide external audit for the applicable fiscal year. Country Finance Managers will be notified of the completion of the annual audit and the requirement to archive the fiscal year records by the HQ Senior Finance Officer.

##### **17.4.2 Archived Record Boxing Protocol**

Finance files should be archived in boxes. Boxes should be a size that can be lifted with reasonable effort, and allow access to the records.

Archive boxes should be stored in a secure, dry location with controlled access. If stored in the warehouse secure area, the archive boxes must be stored on pallets or shelves in order to avoid damage. Archive box labels should be clearly visible.

###### **17.4.2.1 Archiving by Fiscal Year**

Prior to archiving, any files not maintained by fiscal year must be separated into fiscal years. All archived records must be organized by the applicable fiscal year.

###### **17.4.2.2 Archive Box Labels**

Each box of archived financial records is labeled, using **FFM Form 17.1A - Archive Box Label**. The Archive Box Label includes the following information:

1. Unique box identifying number.
2. Applicable fiscal year.

Mercy Corps  
Field Finance Manual

**Section 17 – Record Keeping and Archiving**

**Effective: 3/1/09** (supersedes 2/1/04)

3. Original archive location for the box.
4. MC Country/Mission Office.
5. Detailed description of each file in the box.
6. File Category – the file type if the office is using **Appendix 17A – Recommended Finance Filing System**.
7. Beginning and Ending Identification numbers for documents, such as contracts and journal vouchers, which are filed sequentially.
8. Minimum retention period end date for the box.
9. Destruction date of box (entered when determined, per Section 17.5.2.3).
10. Person who destroyed each file.
11. The location if the box is transferred to a new location after being originally archived.
12. Name of the person who enters each file into **Form 17.1B – Finance Records Archive Index**, along with the date entered.
13. Name of the person who updates **Form 17.1B – Finance Records Archive Index** for each transfer of box location or destruction of the box, along with date updated.

**Box Label Example**

<b>Box No.:</b> MC/KBL/2006/001		<b>MercyCorps</b>		
<b>Fiscal Year:</b> 2006				
<b>Original Location:</b> KBL Storage, shelf 10A		<b>Country:</b> Afghanistan		
<b>RETENTION END DATE:</b> 7-Jan-13 <small>(DD/MM/YR)</small>		<b>DESTRUCTION DATE:</b> _____ <small>(DD/MM/YR)</small>		
Box Contents (List below)	File Category	Beginning * Identification #	Ending * Identification #	Destroyed By:
USD Cash 1000-000-00041-00 July 05 Cash Count and SJ	Journal Vouchers	KBUC-06-0001	KBUC-06-0023	
AFG Cash 1000-001-00041-00 July 05 Cash Count and SJ	Journal Vouchers	KBAC-06-0001	KBAC-06-0109	
USD Checking 1100-000-00041-00 July 05 Bank Rec. Bank Stmt. SJ	Month End Fin File	KBUZ-06-0001	KBUZ-06-0015	
AFG Checking 1100-001-00041-00 July 05 Bank Rec. Bank Stmt. SJ	Month End Fin File	KBAZ-06-0001	KBAZ-06-0087	
July 05 MAS 90 AFG BS Detail	Month End Fin File	N/A	N/A	
July 05 AFG BS Reconciliations	Month End Fin File	N/A	N/A	
July 05 MAS 90 AFG GL by CC	Month End Fin File	N/A	N/A	
July 05 MAS 90 EDR GL by CC	Month End Fin File	N/A	N/A	
July 05 Correspondence	Other	N/A	N/A	
<b>* Only applicable to documents with a voucher or register number. Required for Journal Voucher files.</b>				
<b>1st Transfer Location:</b> _____		<b>2nd Transfer Location:</b> _____		
Transfer Date (DD/MM/YY): _____		Transfer Date (DD/MM/YY): _____		
Entered in Finance Archive Register by: _____		Mahmoud Abdul 17/4/07		
Updated Finance Archive Register for 1st Transfer: _____		_____		
Updated Finance Archive Register for 2nd Transfer: _____		_____		
Updated Finance Archive Register for Destruction: _____		_____		

### 17.4.2.3 Archive Box Numbering

Each financial records archive box is assigned a unique identifying number for the box label.

Archive box numbering protocol:

1. Each identifying number begins with “MC”
2. Followed by the 3 letter abbreviation for the office the records pertain to.
3. Followed by the 4 digit fiscal year for the records.
4. Sequential Numbers: The next three numbers represent the order of boxes for that fiscal year – starting with 001.

Example: The third box containing Fiscal Year 2006 monthly transaction binders for the MC Afghanistan Kabul office would be assigned the identifying number “**MC/KBL/2006/003**”.

### 17.4.3 Finance Records Archive Index

Each Country Finance Office is responsible for maintaining **FFM Form 17.1B - Finance Records Archive Index**. This index tracks all archived finance records, transfers of the archived records to new locations and the destruction of archived records. The index must be updated after every change to the archived financial records.

A copy of the Finance Archive Index should be included with the documents sent annually to HQ Finance in accordance with **FFM Section 16.2 Reporting Requirements to Headquarters**.

### 17.4.4 Missing Financial Records

If financial records are unable to be located when archiving the documents, or after being archived, a missing financial records memo must be written. The memo provides a detailed description of the missing financial record and the reason the record is missing. The memo must be signed by the Country Director.

The memo is entered into the Finance Archive Index along with each file description. The memo is then included in the applicable archive box in place of the missing records.

### 17.4.5 Record Retention and Destruction

Record retention and destruction requirements are found in Section 17.5. These guidelines should be used to determine the retention period and destruction date assigned to a box. Archived records may not be destroyed without prior HQ authorization. Boxes and files that have been destroyed should not be removed or deleted from the Finance Archive Index. Instead, the Finance Archive Index is updated to indicate that the box has been “Destroyed”.

### 17.4.6 Closed Offices

When a Country Office is closed, all records required to be retained by MC or donor policy should be repatriated to MC's Portland HQ office. Several months prior to the anticipated office closing date, the Country Office must contact the HQ Regional Finance Officer to ensure proper organizing and packaging of records. In order for the records to be received in Portland in a manner compatible with MC HQ's storage requirements, special boxes and records preparation are required. Assistance with organizing records may be available upon request.

### **17.5 Record Retention Policy**

This section applies to financial records and records of other program support departments, including administration, human resources, logistics and procurement. These records are included within this policy in order to ensure compliance with donor regulation and applicable laws and to ensure the records are available for audits.

Mercy Corps separates records between those records that will be retained permanently and those records that will be retained for a specific period of time.

#### 17.5.1 Permanent Records

Permanent records are those records considered to be critical to Mercy Corps historical record, or which are related to ongoing activities that do not have specific ending dates. Generally, permanent records are not related to a specific grant or activity.

Permanent records should be retained indefinitely and should not be destroyed.

The following list outlines records to be retained permanently. This list is not all inclusive, and items not listed should be referred to HQ International Finance for guidance.

#### **PERMANENT RECORDS**

##### **ADMINISTRATION - OFFICE**

Accident Reports, Injury Claims & Settlements

Charters, Constitution, Bylaws (for in-country registration)

Claims and Litigation

Correspondence – Government Entities and Officials

Country Agreements or Memos of Understanding with Governments

Country Registration Documents and other documents related to MC's status as a legal entity

Letters of Authority

Letters of Revocation

Local Law (including tax and labor requirements)

Local Office Policies (most recent version and superseded versions)

Manuals – General (Most Recent Version)

Property Deeds

.....  
 Tax Exempt Certificates or Status Documents  
 .....

.....  
**ADMINISTRATION – HUMAN RESOURCES**  
 .....

Health and Safety Notices

Holiday Schedules

Local Personnel Policies (most recent version and superseded versions)

National Staff Policy Handbook (most recent version and superseded versions)

Salary Scales (most recent version and superseded versions)

Salary Increase Policy (most recent version and superseded versions)

Retirement Plan Documents

Training and Orientation Manuals (Most Recent Version)

.....

.....  
**FINANCIAL RECORDS**  
 .....

Approval Authority Matrix (current and superseded versions)

Check Registers

Cost Allocation Basis and Procedures (current and superseded versions)

Field Bank Account Data Forms (current and superseded versions)

Field Bank Account World Tracker Verifications (current and superseded versions)

Finance Records Archive Index

Financial Statements – Certified

General Ledger (hard copies)

Local Finance Policies

Retirement and Pension Records

Tax Bills and Statements

Tax Returns and Reports to Government Agencies

.....

.....  
**PROCUREMENT AND LOGISTICS (includes assets, vehicles and warehousing)**  
 .....

Asset Inventory

Asset Registers

Disposal of Asset Forms

MC Vehicle File (file includes all records listed in Fleet Management Policy and Procedure Guidelines, part 13.A)

Vehicle Master List

.....

**17.5.2 Non-Permanent Records**

Non-permanent records are not related to the on-going activities of Mercy Corps. Generally, non-permanent records are related to specific transactions or activities that have concluded. Mercy

Corps is required to keep these records for a period of time, in case they are needed for reference, or in the event of an audit.

#### 17.5.2.1 Minimum Retention Period

All non-permanent records are subject to a minimum retention period of 7 years from the end of the applicable fiscal year.

Non-permanent records are subject to the minimum retention period because a destruction date in compliance with donor regulations generally cannot be determined until several years after the end of a fiscal year. Records for any given fiscal year may apply to several different grants implemented by an office during the fiscal year. These grants usually have different end dates and different donors, each requiring a different record retention period. Also, the grant close-out date is not necessarily the same as the date donor record retention requirements start. In the case of U.S. government grants, for example, the grant close-out paperwork is initiated only after the final NICRA (Negotiated Indirect Cost Rate Agreement) has been issued, which may be several months after the close of the fiscal year.

The following list outlines records subject to the seven year minimum retention period. This list is not all inclusive, and items not listed should be referred to HQ International Finance for guidance.

#### **RECORDS SUBJECT TO SEVEN YEARS MINIMUM RETENTION REQUIREMENT**

##### **ADMINISTRATION - OFFICE**

Correspondence – Donor Related

Correspondence – General

Country Contact Lists

Insurance Policies - In-country

Key Log Books or Key Sign-Out Sheets

Key Inventories

Lease Agreement File - Administration (file includes all records listed in FAM 4.3)

Office Guest Logs

Telephone Logs

Telephone Card Issue Record

##### **ADMINISTRATION – HUMAN RESOURCES**

Applicant File (file includes all records listed in FAM 2.2.3)

Employee Tax and Benefits Documents

Grievance / Investigation File – Terminated Employees (file includes all records listed in FAM 2.2.5)

Insurance Records – Employees

Job File (file includes all records listed in FAM 2.2.2)

Organizational Charts

Personnel File – Terminated Employees (file includes all records listed in FAM 2.2.4)

Salary and Benefits Surveys (file includes all records listed in FAM 2.3.2)

Staff Rosters



Mercy Corps  
Field Finance Manual

**Section 17 – Record Keeping and Archiving**

**Effective: 3/1/09** (supersedes 2/1/04)

***FINANCIAL RECORDS***

Advances Log

Bank Deposits

Bank Reconciliations

Bank Statements

Bank Transfer Requests

Budgets – Grants

Budgets – Country / Mission Office Core Funds

Budgets – Country / Mission Office Private Emergency Funds

Budget versus Actual Expense Reports

Cash Counts

Cash Flow Projections

Cash Receipt Records

Contracts with supporting documents (expired)

Correspondence - Donor

Correspondence - General

Expatriate Payroll Advance Authorization

Expatriate Payroll Allocation Report

Expatriate Payroll Verification Report

Facilities Leases with supporting documents (expired)

Fiscal Year End HQ Reporting Checklist

Grant Financial Records

Grant Close Out Records

Journal Entries (with supporting documents)

Journal Vouchers (with supporting documents)

Management Financial Reports

Match Journal

Match Voucher (with supporting documents)

Monthly Finance File – Country Office

Monthly Finance File – Field Office

Monthly HQ Reporting Checklist

Payroll Records / Pay Slips

Payroll Tax Deposits – Dates & Amounts

Personnel Activity Reports (Timesheets) - National Staff

Petty Cash Records

Preferred Supplier Agreements with supporting documents (expired)

Reports to Donors – Financial

Segregation of Duties Matrix

Subgrant Finance Records

Subjournals

Vehicle Rental Contracts with supporting documents (expired)

Work papers Provided to Auditors

***PROCUREMENT AND LOGISTICS (includes assets, vehicles and warehousing)***

***Assets***

Mercy Corps  
Field Finance Manual

**Section 17 – Record Keeping and Archiving**

**Effective: 3/1/09** (supersedes 2/1/04)

Asset Location Reports

Asset Movement Forms

Physical Inventory Records

**Procurement**

Contracts (procurement copy)

Emergency Specific Procurement Policies

Gift Register

Goods Received Note (procurement copy)

Invitation to Tender Documents (procurement copies)

Leases (procurement copy)

Local Procurement Levels Policy

Preferred Supplier Agreements (procurement copy)

Purchase Order (procurement copy)

Purchase Record (procurement copy)

Purchase Request (procurement copy)

Quotation Analysis (procurement copy)

Request for Quotation (procurement copy)

Service Completion Reports (procurement copy)

**Vehicles**

Daily Vehicle Check

Fuel and Consumables Purchase Log

Gas Station Selection Questionnaire

Rental Vehicle File (file includes all records listed in FMPPG 13.A)

Vehicle Accident Report Forms

Vehicle Consumables Inventory

Vehicle Log Sheet / Vehicle Equipment Inventory

Vehicle Maintenance Schedule

**Warehouse**

Certificates of Disposal

Commodities Reports

Goods Received Notes (warehouse copy)

MC Waybills (with packing lists) IN

MC Waybills (with packing lists) OUT

Random Warehouse Inventory Count documents

Stock Records

Store Releases

Supplier Delivery Notes

Warehouse Registers

Warehouse Bin Cards

Warehouse Inventory Records

Warehouse Inspection Checklists

### 17.5.2.2 Destroying Non-Permanent Records

Record destruction dates are generally determined by the legal requirements of the host country and donor regulations for grants active during the applicable fiscal year. Mercy Corps' policy is to destroy non-permanent records after the end of MC's seven year minimum retention period and the expiration of the record retention period required by either host country legal requirements or donor requirements, whichever is longer.

Field offices are responsible for researching local laws on records retention requirements and for communicating those requirements to HQ International Finance.

### 17.5.2.3 Assigning a Destruction Date

At the end of the 7 year retention period, HQ International Finance will assign a records destruction date for the specific fiscal year. Destruction dates will be assigned for each specific fiscal year and for each specific Country or Mission office. These dates will be based on the grants active for the Country office in the applicable fiscal year and the applicable local legal record retention requirements.

The Country Finance Manager will receive notification of the assigned fiscal year records destruction date from the HQ Senior Finance Manager at the end of the minimum retention period for a fiscal year. After receiving the notification, the labels on archive boxes for the applicable fiscal year should be updated to include the destruction date.

### 17.5.3 Approval to Destroy Records

When a box of records has reached the designated destruction date, permission to destroy the records must be requested from both the Country Director and HQ Director of International Finance. When permission has been received from both parties, the records should be shredded or burned. Boxes and files that have been destroyed should not be removed or deleted from the Finance Archive Index. Instead, the Finance Archive Index is updated to indicate that the box has been "Destroyed".

### 17.5.4 Destroying Records in an Emergency

Offices in insecure locations should follow the procedures in **FFM Section 18.4** for preparing records in the event of an evacuation. If events occur rapidly and the records are not removed to a safer location prior to evacuation, only records that may affect the safety of employees or beneficiaries, such as personnel files and beneficiary lists (red dotted records), should be destroyed. A list of all destroyed records should be made at the time of destruction.

## **18 Security**

### ***18.1 Authority of the Field Security Manual***

The Field Security Manual (FSM) is the authoritative document for security matters. This section is intended to serve as a supplemental guide for financial issues only and to refer field offices to the FSM for agency policies.

### ***18.2 Cash Policies***

(Refer to Section 3 for general cash policies.)

#### **18.2.1 Movement of Cash**

The utmost care and discretion should be used in all situations involving the movement of cash. The transportation of cash should be considered as a last option when other, safer methods of making payments or transfers are not possible. Trips should be made as quickly possible and should not be combined with other purposes. If possible, at least two people should be involved in such trips.

#### **18.2.2 Mitigating the Risk of Cash Movements**

##### **18.2.2.1 In-office payments**

To reduce the need to transport cash to make vendor payments, vendors should be directed to collect payments at the Mercy Corps office. Hours for vendor payments should be restricted and care should be taken not to allow exposure to financial operations (e.g. location of the safe, amounts kept on hand, cash replenishment practices, etc.)

Salary payments should also be made in the office rather than on project sites whenever possible. Cash envelopes and pay slips should be prepared prior to designated payment times.

##### **18.2.2.2 Reducing Predictability**

Care should be taken to reduce the predictability of cash movements. Trips to the bank for cash replenishment, for example, should not be routinely scheduled. The routing used to the bank as well as the driver and vehicle used for these trips should also be varied.

##### **18.2.2.3 Discretion**

All communications regarding cash or cash movements should be discreet. The less that non-essential parties know about cash operations and movements, the less they can disclose, either intentionally or unintentionally. In highly insecure situations, discussions regarding cash should be minimized and terms should be encoded to avoid direct references to money.

#### 18.2.2.4 Checks or Bank Transfers

Whenever possible, checks or bank transfers should always be used in lieu of cash payments. Vendors and employees should be encouraged to open bank accounts. For large procurements, a bank account should be included as a requirement of the tender.

#### 18.2.2.5 Money Traders

In field offices where banking services are unavailable, the risk of transporting cash can be transferred to a money trader. Whenever possible, the trader should deliver the cash to the Mercy Corps office or directly to the vendor on Mercy Corps' behalf. Refer to Section 3 for more information on money traders.

### ***18.3 Emergency Cash***

Field offices should determine the necessity of maintaining an emergency cash fund. This fund should be segregated in the safe and kept on hand at all times in case of emergencies or evacuation. The amount should be determined by the Country Director and should weigh the risks associated with keeping cash on hand versus the potential need in the event of an emergency.

As with all cash on hand, the fund should be verified through regular cash counts.

### ***18.4 Finance Considerations for Evacuation Planning***

Since financial records form the basis of the audit trail, field offices must take steps to safeguard financial records. Records should be secured when not in use and preferably locked away.

In insecure locations, field offices should organize records so that they might easily be removed in the event of an evacuation. Critical records should be segregated and “red dotted” or flagged to facilitate quick removal. Storage containers should contain a protected list of contents for reference purposes. Containers should be marked as “# of total #” to ensure that all containers may be accounted for when they reach the secure location.

To avoid the need to destroy historical records in the event of an evacuation, records should be removed periodically to safer locations, such as regional offices or HQ. In highly insecure locations, this should occur at least annually when the fiscal year has closed and the annual audit has been completed.

Field offices should refer to the Field Security Manual for a checklist of specific evacuation procedures.

***18.5 Emergency Preparedness Planning***

Reserved for future use.

**Appendix 1 – 3**

Reserved for future use.

**Appendix 5 – Forms Library**

**Appendix 6 – Chart of Accounts**

**Appendix 17 – Recommended Finance Filing System**

### FORMS LIBRARY

FORM NUMBER	FORM NAME	MANUAL REFERENCE
FFM 2.4 A	Segregation of Duties Matrix	Section 2.4.1
FFM 2.5 A	Approval Authority Matrix	Section 2.5.2
FFM 2.8 A	Initial Assessment Report	Section 2.8.3.4
FFM 2.8 B	Internal Inquiry Report	Section 2.8.3.6
FFM 3.1 A	Field Cash Count	Section 3.1.1.6
FFM 3.2 A	Field Bank Account Data	Section 3.2.1
FFM 3.2 B	Monthly Bank Reconciliation	Section 3.2.6
FFM 3.3 A	Request for Operational Cash Advance	Section 3.3.2
FFM 3.3 B	Operational Expense Report	Section 3.3.3
FFM 3.4 A	Monthly Cash Flow Projections	Section 3.4.2
FFM 3.4 B	Bank Transfer Request	Section 3.4.3
FFM 4.2 A	Expatriate Personnel Activity Report	Section 4.2
FFM 4.2 B	National Personnel Activity Report	Section 4.2
FFM 4.3 B	Expatriate Payroll Allocation Report	Section 4.3.2.2
FFM 4.6 A	Expatriate Payroll Advance Authorization	Section 4.6.2
FFM 6.5 A	Travel Approval / Advance Request	Section 6.5
FFM 6.6 A	Travel Expense Report	Section 6.6
FFM 11.5A	Subgrant Funds Approval	Section 11.5.3.1
FFM 16.2 A	Monthly Reporting Checklist	Section 16.2
FFM 16.2 B	Fiscal Year End Reporting Checklist	Section 16.2
FFM 16.2 C	Monthly Reporting Checklist to MCS HQ	Section 16.2
FFM 17.1 A	Archive Box Label	Section 17.4.2.2
FFM 17.1 B	Finance Records Archive Index	Section 17.4.3

Electronic forms are available on compact disc accompanying the printed copy of this manual or are available by accessing the Digital Library. Please contact the Portland HQ Program Officer for assistance in obtaining a sign-on to the Digital Library.



**MERCY CORPS  
CHART OF ACCOUNTS  
FOR FIELD OFFICES USING MAS90**

Field Finance Manual - Appendix 6

*Effective: July 1, 2011  
(Supersedes all previous versions)*

**Note:** This version of the Chart of Accounts is a modified version for use only by countries who are using MAS90 after July 1, 2011. This version will be superseded by the official version for use with Serenic Navigator when countries are converted to the new system. When country accounting records are consolidated into the Mercy Corps books in Serenic Navigator after July 1, 2011, some accounts will be mapped to new Navigator codes. For questions concerning coding and mapping, please contact your HQ Regional Finance Officer or Assistant Finance Officer.

ACCOUNT CODE	ACCOUNT NAME	HQ/ FIELD OFFICE	ACCOUNT DESCRIPTION
<b>BALANCE SHEET</b>			
<b>ASSETS</b>			
1000-xxx	Office/Petty Cash	HQ & FO	In-office cash, separated by location and currency.
1100-xxx	Bank Accounts – Checking/Depository	HQ & FO	Checking or depository accounts, by individual account.
1110-xxx	Bank Accounts – Savings	HQ & FO	Savings accounts, by individual account.
1150-xxx	Investment Accounts	HQ & FO	Investment accounts, by individual account.
1199-099	Cash In Transit	HQ & FO	Clearing between cash accounts within a field ledger.
1200-xxx	Intercompany Transactions	HQ & FO	General transactions between field ledgers and the HQ ledger. Includes transfer of expenses, clearing of advances and miscellaneous transactions.
1200-098	Intercompany Transactions - Revenue	HQ & FO	Transfer/clearing account between field ledgers and the HQ ledger for the recording of revenue.
1200-099	Intercompany Transactions – Bank Transfers	HQ & FO	Transfer/clearing account between field ledgers and the HQ ledger for the recording of funds transfers.
1250-xxx	Interagency Transactions	HQ & FO	All transactions between MC, MCS, MCNW and PAG, including funds transfers and expense clearing.
1300-1304- xxx	HQ & Expatriate Advances	HQ & FO	Advance accounts by individual or by location, for travel or operational advances. (May be assigned by HQ only.)
1305-1309- xxx	Field Office Advances	HQ & FO	Advance accounts by individual or by location, for travel or operational advances.
1310-xxx	Grant Funds Receivable	HQ & FO	Funds due from donors (other than through the USAID and PRM Letters of Credit).
1311-xxx	USAID LOC Funds Receivable	HQ & FO	Funds due from the United States Agency for International Development and processed through the USAID/HHS Letter of Credit.
1312-xxx	PRM LOC Funds Receivable	HQ & FO	Funds due from the Dept. of State, Bureau of Population, Refugees and Migration and processed through the PRM/HHS Letter of Credit.
1315-xxx	Uncollectible Grant Funds Allowance	HQ only	Allowance (reserve) for uncollectible grant funds.
1320-xxx	Loans Receivable	HQ & FO	Loans due from borrowers.
1321-xxx	Loan Guarantee Funds Receivable	HQ & FO	Loan guarantee funds due from lending institutions.
1330-xxx	Other Receivables	HQ & FO	All other receivables due, including VAT receivable.
1350-xxx	Pledges Receivable	HQ only	Pledges receivable.
1390-xxx	Loan Loss Allowance	HQ & FO	Allowance for uncollectible loans (in accordance with loan program provisioning policy).
1400-xxx	Inventories	HQ & FO	Commodity and material aid inventories.
1500-xxx	Prepaid Expenses	HQ & FO	Expenses greater than \$1,000, paid prior to the period to which they apply.
1510-xxx	Deposits	HQ & FO	Refundable deposits greater than or equal to \$500.
1600-xxx	Investments	HQ only	Investments, by individual investment.
1700-xxx	Vehicles	HQ only	Non-grant funded capital expenditures – vehicles.
1750-xxx	Equipment	HQ only	Non-grant funded capital expenditures – equipment.
1780-xxx	Furniture and Fixtures	HQ only	Non-grant funded capital expenditures – furniture and fixtures.

**MERCY CORPS  
CHART OF ACCOUNTS  
FOR FIELD OFFICES USING MAS90**

Field Finance Manual - Appendix 6

*Effective: July 1, 2011  
(Supersedes all previous versions)*

**Note:** This version of the Chart of Accounts is a modified version for use only by countries who are using MAS90 after July 1, 2011. This version will be superseded by the official version for use with Serenic Navigator when countries are converted to the new system. When country accounting records are consolidated into the Mercy Corps books in Serenic Navigator after July 1, 2011, some accounts will be mapped to new Navigator codes. For questions concerning coding and mapping, please contact your HQ Regional Finance Officer or Assistant Finance Officer.

ACCOUNT CODE	ACCOUNT NAME	HQ/ FIELD OFFICE	ACCOUNT DESCRIPTION
1800-xxx	Land	HQ only	Non-grant funded capital expenditures – land.
1810-xxx	Buildings	HQ only	Non-grant funded capital expenditures - buildings and structures.
1820-xxx	Leasehold Improvements	HQ only	Non-grant funded capital expenditures – leasehold improvements.
1990-xxx	Accumulated Depreciation	HQ only	Accumulated depreciation contra-account.
<b>LIABILITIES:</b>			
2000-xxx	Accounts Payable	HQ or FO	Payables to vendors.
2010-xxx	Grant Funds Payable	HQ or FO	Unspent grant funds payable to donors.
2100-xxx	Taxes Payable	HQ & FO	Payroll taxes or other taxes payable.
2200-xxx	Interest Payable	HQ only	Interest payable to donors.
2300-xxx	Short-term Notes Payable	HQ only	Short-term notes or loans due to creditors.
2700-xxx	Pass-Through Funds	HQ & FO	Funds held as agent for pass-through to other agencies.
2800-xxx	Accrued Expenses	HQ & FO	Accrued expenditures (other than salaries and employee benefits).
2810-xxx	Accrued Salaries and Wages	HQ & FO	Accrued salaries and wages.
2812-xxx	Accrued Employee Benefits	HQ & FO	Accrued employee benefits including vacation pay, severance, retirement benefits, or other benefits required by law or policy.
2820-xxx	Deferred Revenue – Grant Funds	HQ & FO	Grant funds held and to be recognized as revenue in future periods.
2830-xxx	Deferred Revenue – Private Funds	HQ & FO	Private donor funds held and to be recognized as revenue in future periods.
2900-xxx	Long-term Notes Payable	HQ only	Long-term notes or loans due to creditors.
2950-xxx	Loan Funds	HQ & FO	Capitalized loan principal funded by donors.
2951-xxx	Loan Guarantee Funds	HQ & FO	Capitalized loan guarantees funded by donors.
2960-xxx	Deferred Funds - Credit Programs	HQ & FO	Excess of revenue over expenses deferred for future use by credit programs.
2999-xxx	Pooled Allocations	HQ & FO	Pooled expenses to be allocated. Subcoded by expense type.
2999-099	Suspense	HQ & FO	Transactions to be researched or for which coding is to be determined <i>(to be used only sparingly)</i> .
<b>FUND BALANCE:</b>			
3100-xxx	Unrestricted Fund Balance	HQ only	Balance of unrestricted funds.
3200-xxx	Restricted Fund Balance	HQ only	Balance of restricted funds.
3900-xxx	Fund Balance – Annual Change	HQ & FO	Annual net gain/loss to fund balance (same as Retained Earnings).

**MERCY CORPS  
CHART OF ACCOUNTS  
FOR FIELD OFFICES USING MAS90**

Field Finance Manual - Appendix 6

*Effective: July 1, 2011  
(Supersedes all previous versions)*

**Note:** This version of the Chart of Accounts is a modified version for use only by countries who are using MAS90 after July 1, 2011. This version will be superseded by the official version for use with Serenic Navigator when countries are converted to the new system. When country accounting records are consolidated into the Mercy Corps books in Serenic Navigator after July 1, 2011, some accounts will be mapped to new Navigator codes. For questions concerning coding and mapping, please contact your HQ Regional Finance Officer or Assistant Finance Officer.

ACCOUNT CODE	ACCOUNT NAME	HQ/ FIELD OFFICE	ACCOUNT DESCRIPTION
<b>INCOME STATEMENT</b>			
<b>REVENUE</b>			
4100	Unrestricted Revenue	HQ only	General unrestricted grants and contributions received.
4200	Restricted Revenue	HQ only	Restricted grants and contributions received.
4200-050	Restricted Revenue - ICR	HQ only	ICR on restricted grants and contributions received.
4400	Revenue – Material Aid/GIK	HQ only	Value of donated commodities and material aid received from the USG and other donors.
4600	Program Income	HQ & FO	Income earned from program activities. Recorded by fund and differentiated by type of activity through the use of a subcode.
4610	Program Income – Interest	HQ & FO	Interest Income earned from program activities. Recorded by fund and differentiated by type of activity through the use of a subcode.
4810	Interest Income	HQ & FO	Interest earned on deposited funds.
4840	Dividend Income	HQ & FO	Dividends earned on deposited funds or from third parties.
4940	Gains and Losses on Depreciable Assets	HQ & FO	Gains and losses on disposition of depreciable assets.
4990	Miscellaneous Income	HQ & FO	Any other miscellaneous income.
4999	Interfund Transfer	HQ & FO	Transfer or allocation of net assets from one fund to another.
<b>GENERAL EXPENSES</b>			
5110	Salaries – National Staff	HQ & FO	National staff salaries and wages.
5210	Benefits – National Staff	HQ & FO	Accrued or expensed benefits for national staff required by law or policy. May include holiday payments, employer taxes, pension, health, insurance, relocation and other allowances, etc. Does not include withholdings for taxes owed by employees, which should be recorded as part of employee salaries.
5220	Severance Pay – National Staff	HQ & FO	Accrued severance pay for national staff as required by law or policy.
5310	Salaries - Expat Staff	HQ only	Expatriate employees' salaries and wages.
5330	Salaries - HQ Staff	HQ only	Headquarters employees' salaries and wages.
5410	Pooled Fringe Benefits – Expat Staff	HQ only	Accrued pooled benefits and payroll taxes for expatriate employees, required by law or policy. Includes payroll taxes, retirement, health insurance and worker's compensation.
5430	Pooled Fringe Benefits – HQ Staff	HQ only	Accrued pooled benefits and payroll taxes for HQ employees, required by law or policy. Includes payroll taxes, retirement, health insurance and worker's compensation.
5510	Shipping of Household Goods	HQ & FO	All costs associated with the shipping of household goods for relocation purposes as allowable by policy. Includes shipping company charges only. Excess baggage charges should be coded as travel expenses.
5515	Relocation Allowances	HQ (FO only by special arrangement)	Settling in or other lump sum relocation allowances as allowable by policy. Does not include shipping (5510) or other miscellaneous benefits (5580).

**MERCY CORPS**  
**CHART OF ACCOUNTS**  
FOR FIELD OFFICES USING MAS90

Field Finance Manual - Appendix 6

*Effective: July 1, 2011*  
*(Supersedes all previous versions)*

**Note:** This version of the Chart of Accounts is a modified version for use only by countries who are using MAS90 after July 1, 2011. This version will be superseded by the official version for use with Serenic Navigator when countries are converted to the new system. When country accounting records are consolidated into the Mercy Corps books in Serenic Navigator after July 1, 2011, some accounts will be mapped to new Navigator codes. For questions concerning coding and mapping, please contact your HQ Regional Finance Officer or Assistant Finance Officer.

ACCOUNT CODE	ACCOUNT NAME	HQ/ FIELD OFFICE	ACCOUNT DESCRIPTION
5520	Storage Reimbursements-Expat Staff	HQ & FO	Expatriate employees' storage reimbursements.
5540	Dependent Education - Expat Staff	HQ & FO	Dependent education benefits as allowable by policy. Includes tuition, school fees, school supplies, etc.
5550	Host Country Taxes - Expat Staff	HQ & FO	Taxes imposed by the host country related to the employment of expatriates.
5560	Hardship Allowance - Expat Staff	HQ & FO	Expatriate employees' hardship allowances.
5565	R&R Allowances - Expat Staff	HQ & FO	Allowances for expatriate rest and relaxation travel as allowable by policy.
5571	Relocation Travel	HQ & FO	Travel costs associated with expatriate relocation, including airfare, expenses, visas, vaccinations and excess baggage, as allowable by policy.
5572	Home Leave Travel	HQ & FO	Travel costs associated with expatriate home leave travel, including airfare, expenses, visas, excess baggage, etc., as allowable by policy.
5573	Other Benefits-Related Travel	HQ & FO	Travel costs associated with maternity/paternity leave and visits to home of record when transferring between posts, including airfare, expense, visas, excess baggage, etc., as allowed by policy.
5580	Other Benefits - Expat and HQ Staff	HQ & FO	Any other expatriate or HQ employee benefits allowable by policy which are not specifically described in other codes. Includes in-country vaccinations, in-country driving permits, expat work and residence permits, etc. (Note: 5580 should be used for expatriate or HQ staff only; 5210 should be used for national staff benefits.)
5591	Housing - Individual and Shared	HQ & FO	Individual and shared staff housing, including rent, utilities, repairs and maintenance, telephone lines, etc. Excludes any staff salaries for MC employees associated with housing (to be coded as salaries).
5592	Housing - Guesthouse	HQ & FO	Guest housing, including rent, utilities, repairs and maintenance, telephone lines, etc. Excludes any staff salaries for MC employees associated with housing (to be coded as salaries).
5610	Employee Training	HQ & FO	Costs associated with employee training and professional development, such as course fees, language lessons, seminars, internal training (room rentals, training supplies, etc.). Does not include travel costs associated with a training course (to be coded as travel).
5630	Employee Recognition	HQ & FO	Gifts & awards provided to specific employee for recognition. This account should not include standard employee salaries, bonuses and benefits.
5640	Employee Appreciation Activities	HQ & FO	Company parties and events not related to fundraising activities. For example, holiday parties, special occasions, department events, <u>employee morale meals (non-business related)</u> .
6200	Professional Fees - Audit	HQ & FO	Fees associated with financial audits. Does not include accounting services (to be coded as 6205).
6201	Professional Fees - Legal	HQ & FO	Fees associated with hired legal services.

**MERCY CORPS  
CHART OF ACCOUNTS  
FOR FIELD OFFICES USING MAS90**

Field Finance Manual - Appendix 6

*Effective: July 1, 2011  
(Supersedes all previous versions)*

**Note:** This version of the Chart of Accounts is a modified version for use only by countries who are using MAS90 after July 1, 2011. This version will be superseded by the official version for use with Serenic Navigator when countries are converted to the new system. When country accounting records are consolidated into the Mercy Corps books in Serenic Navigator after July 1, 2011, some accounts will be mapped to new Navigator codes. For questions concerning coding and mapping, please contact your HQ Regional Finance Officer or Assistant Finance Officer.

ACCOUNT CODE	ACCOUNT NAME	HQ/ FIELD OFFICE	ACCOUNT DESCRIPTION
6205	Professional Fees – Other	HQ & FO	Other professional fees of an administrative nature contracted from a firm or company. Such services may include payroll processing, other accounting services, IT services or translation services. Excludes consultants who are hired as independent contractors.
6217	Temporary Labor	HQ & FO	Temporary labor expenses paid to non-MC employees - will generally be administrative in nature. (Note: this code should not be used for laborers associated with distribution projects (8100/8110), office repair/maintenance (6802), equipment repair/maintenance (6355)).
6218	Consultants – International	HQ only	Fees for consulting work performed outside of the US or the consultant's native country. Consultants are independent contractors.
6219	Consultants – National	HQ & FO	Fees for consulting work performed by a citizen of the country where the work is taking place. Consultants are independent contractors.
6230	Business Meals	HQ & FO	Expenses incurred for business meals not related to travel.
6235	Entertainment	HQ & FO	Unallowable costs of entertainment, including amusement, and social activities. Does not include employee activities (see 5630 and 5640).
6250	International Airfares	HQ & FO	International airfares. Excludes airfares for expatriate relocation, home leave or R&R. (AIRFARES ONLY.)
6252	International Travel Expenses	HQ & FO	International travel expenses such as accommodation, reimbursables, visas, vaccinations, taxis, consultant per diems, etc. Excludes travel for expatriate relocation, home leave or R&R. (EXPENSES ONLY, NO AIRFARES.)
6258	Local & Domestic Airfares	HQ & FO	In-country (or to/from cross border support offices) airfare. (AIRFARES ONLY)
6259	Local & Domestic Travel Expenses	HQ & FO	Travel expenses incurred in-country (or to/from cross border support offices), including per diems, accommodation, reimbursable expenses, taxis, public transportation, etc., as allowable by policy. (EXPENSES ONLY, NO AIRFARES)
6340	General Equipment	HQ & FO	General equipment with a unit price greater than or equal to \$500 but less than \$5,000 where title to the equipment is retained by Mercy Corps. Includes computers, printers, copiers, furniture, vehicle-related equipment, cameras, software, communications equipment, etc.
6349	Small Equipment	HQ & FO	Durable equipment and furniture having a useful life greater than one year and a unit price less than \$500. This account should be used for such items as furniture, radios, cell phones, and other items which may fit the Field Asset Management Manual definition of "exceptional items". This account should not be used for low value office and housing supplies such as staplers, calculators, flash drives, coffee makers, etc.
6350	Equipment Rental	HQ & FO	Rental costs for non-vehicle equipment or furniture.

**MERCY CORPS  
CHART OF ACCOUNTS  
FOR FIELD OFFICES USING MAS90**

Field Finance Manual - Appendix 6

*Effective: July 1, 2011  
(Supersedes all previous versions)*

**Note:** This version of the Chart of Accounts is a modified version for use only by countries who are using MAS90 after July 1, 2011. This version will be superseded by the official version for use with Serenic Navigator when countries are converted to the new system. When country accounting records are consolidated into the Mercy Corps books in Serenic Navigator after July 1, 2011, some accounts will be mapped to new Navigator codes. For questions concerning coding and mapping, please contact your HQ Regional Finance Officer or Assistant Finance Officer.

ACCOUNT CODE	ACCOUNT NAME	HQ/ FIELD OFFICE	ACCOUNT DESCRIPTION
6352	Software Licenses	HQ & FO	Individual general use software licenses, subscriptions and other user fees (such as maintenance/support fees) incurred for the use of software. Does not include software when bundled with hardware, which should be coded with the hardware.
6355	Equipment Repairs and Maintenance	HQ & FO	Expenses for the repair and maintenance of non-vehicle equipment (including computer/laptop repairs).
6500	Vehicle Rent/Lease	HQ & FO	Rental or lease payments for passenger vehicles, including driver and fuel costs if included in rental agreement. (Heavy truck rentals should be coded as 8100.)
6501	Vehicle Fuel	HQ & FO	Fuel expenses associated with passenger vehicle usage.
6505	Vehicle Repairs and Maintenance	HQ & FO	Repair and maintenance costs associated with passenger vehicles, including repairs, oil and lubricants, washes, regular servicing, etc.
6506	Vehicle Insurance	HQ & FO	Insurance related to passenger vehicles.
6509	Other Vehicle Expenses	HQ & FO	Other passenger vehicle expenses, including registration, extra keys, parking, etc. Also includes credits for the refunding of personal vehicle use.
6700	Advertising	HQ & FO	Costs related to the advertising of job openings, tenders, commodity sales, RFAs, or general MC name awareness, etc.
6710	Visibility	HQ & FO	Costs related to the public recognition of donor funding, including signage and other visibility items.
6750	Retail Sales Cost	HQ & FO	Cost of promotional items purchased for resale within the corporate offices. Not inventoried assets.
6800	Office Rent	HQ & FO	Rental costs of office space, including parking and other areas.
6801	Office Utilities	HQ & FO	Utilities costs associated with office space, including electricity, heating fuel, water/sewer service, etc. (Note: drinking water should be coded as 6810.)
6802	Office Repairs and Maintenance	HQ & FO	Repair and maintenance costs associated with office space, including general repairs, grounds maintenance, janitorial or cleaning services, etc.
6805	Warehouse Rent	HQ & FO	All costs associated with the occupancy of warehouse space, including rent and parking areas, etc. (Note: Does not include utilities, repairs and maintenance, or supplies.)
6806	Warehouse Utilities	HQ & FO	Warehouse utility costs.
6807	Warehouse Repairs & Maintenance	HQ & FO	Warehouse repairs and maintenance costs.
6808	Security Services	HQ & FO	Purchased security services for office, warehouse, staff housing, travel escorts, etc. Excludes any staff salaries for MC employees that are associated with security (to be coded as salaries).
6810	Office Supplies	HQ & FO	Office supplies, including stationery, business cards, paper, copier and printer supplies, files, pens, etc. and small desk accessories such as tape dispensers, staplers, desk organizers, waste bins, flash drives, etc. Also includes kitchen, break-room and WC supplies at office locations (e.g. tea, coffee, drinking water, cups/plates, toilet paper, cleaning items, etc.).
6815	Warehouse Supplies	HQ & FO	Supplies for warehouse operations, including stock cards, pallets, tarpaulins, forklift fuel, etc.

**MERCY CORPS  
CHART OF ACCOUNTS  
FOR FIELD OFFICES USING MAS90**

Field Finance Manual - Appendix 6

*Effective: July 1, 2011  
(Supersedes all previous versions)*

**Note:** This version of the Chart of Accounts is a modified version for use only by countries who are using MAS90 after July 1, 2011. This version will be superseded by the official version for use with Serenic Navigator when countries are converted to the new system. When country accounting records are consolidated into the Mercy Corps books in Serenic Navigator after July 1, 2011, some accounts will be mapped to new Navigator codes. For questions concerning coding and mapping, please contact your HQ Regional Finance Officer or Assistant Finance Officer.

ACCOUNT CODE	ACCOUNT NAME	HQ/ FIELD OFFICE	ACCOUNT DESCRIPTION
6820	General Communications Expense	HQ & FO	Land lines, Internet Services, fax costs, etc. Excludes the cost of equipment.
6821	Mobile/Cellular Communications	HQ & FO	Cellular or other mobile voice services. Excludes the cost of equipment.
6822	Satellite Communications	HQ & FO	Satellite phone services for portable base stations, including voice and data lines. Excludes the cost of equipment.
6823	Internet Communications	HQ & FO	Internet service provider fees, dedicated lines, etc. Excludes the cost of equipment.
6830	Printing and Photocopying	HQ & FO	Professional printing, typesetting and photocopying services. Also includes photography services.
6840	Postage and Shipping	HQ & FO	Document shipping, postage, postage meter charges, post office box rental, DHL and UPS services.
6860	Insurance	HQ & FO	Theft, damage and liability insurance on property, equipment, etc. Excludes vehicle insurance and all employee related insurance.
6861	DBA Insurance	HQ & FO	Defense Base Act insurance premiums.
6900	Dues, Subscriptions and References	HQ & FO	Costs related to magazine and newspaper subscriptions, memberships and reference materials.
6910	Banking and Cash Handling Fees	HQ & FO	Fees incurred for banking transactions, including transaction fees, check books and statement fees. Also includes cash handling fees, such as money trader fees and currency exchange service charges.
6915	Taxes, Filing and Registration Fees	HQ & FO	Miscellaneous business taxes, business registration fees, filing and processing fees, notary fees, etc.
6920	Interest Expense	HQ & FO	Charges incurred for interest.
6930	Fines and Penalties	HQ & FO	Costs of fines or penalties resulting from violations of or failure to comply with laws, regulations or contractual terms and conditions.
6960	Bad Debt Expenses	HQ & FO	Write-off of uncollectible accounts.
6980	Currency Remeasurement	HQ & FO	Gain or loss on currency exchange.
6985	Cash Over/Short	HQ & FO	Overages or underages related to cash handling.
6990	Miscellaneous	HQ & FO	Small, non-repetitive items which do not fit in other categories ( <i>to be used only sparingly</i> ).
<b>CAPITAL EXPENDITURES</b>			
These accounts are used for equipment, furniture and vehicle purchases that meet all of the following criteria:			
* Items with a useful life of one year or greater and a unit price greater than or equal to \$5,000.			
* Items that are charged to grant-funded cost centers.			
7100	Depreciation	HQ & FO	Periodic depreciation expense of capital expenditures.
7101	Amortization	HQ & FO	Periodic amortization expense of capital expenditures.
7340	Program Purchased Equipment	HQ & FO	Capital equipment purchases meeting the criteria listed above, including computers, furniture, office equipment, communications equipment, vehicle maintenance equipment, etc.
7510	Program Purchased Vehicles	HQ & FO	Vehicle purchases meeting the criteria listed above.

**MERCY CORPS  
CHART OF ACCOUNTS  
FOR FIELD OFFICES USING MAS90**

Field Finance Manual - Appendix 6

*Effective: July 1, 2011  
(Supersedes all previous versions)*

**Note:** This version of the Chart of Accounts is a modified version for use only by countries who are using MAS90 after July 1, 2011. This version will be superseded by the official version for use with Serenic Navigator when countries are converted to the new system. When country accounting records are consolidated into the Mercy Corps books in Serenic Navigator after July 1, 2011, some accounts will be mapped to new Navigator codes. For questions concerning coding and mapping, please contact your HQ Regional Finance Officer or Assistant Finance Officer.

ACCOUNT CODE	ACCOUNT NAME	HQ/ FIELD OFFICE	ACCOUNT DESCRIPTION
7590	Program Purchased Leasehold Improvements	HQ & FO	Tenant improvements which are of a permanent nature and increase the value of the property and which meet the criteria listed above.
<b>PROGRAM ACTIVITY EXPENSES</b>			
These categories are more functional in nature rather than natural classification based. These accounts are used for direct program expenses that cannot be categorized by accounts in the <i>General Expenses</i> section. These accounts are <u>not</u> to be used for salaries, benefits, occupancy or other expenses that are categorized separately as general expenses. International travel expenses may not be charged to these codes and must be coded as <i>International Travel</i> .			
7800	Gifts-In-Kind/Material Aid -USG	HQ only	Value of distributed commodities received from the USG.
7810	Gifts-In-Kind/Material Aid - private	HQ only	Value of distributed materials or commodities contributed by private donors.
7850	Cost of Sales – Monetized Commodities	HQ only	Difference between the reported fair market value of monetized commodities and the actual value of monetization sales proceeds.
8000	Design, Monitoring and Evaluation	HQ & FO	Costs associated with the design, monitoring and evaluation of programs. Includes outside consultants and evaluator fees, meeting expenses, small supplies, etc. Does not include salaries of MC employees or international travel expenses.
8100	Transportation and Distribution of Program Materials and Supplies - Transport	HQ & FO	Costs associated with the transportation of program materials and supplies. Includes truck rental (with or without driver), fuel, transport contracts, ocean freight, port charges, surveyors, etc. Does not include MC salaries.
8110	Transportation and Distribution of Program Materials and Supplies - Handling	HQ & FO	Costs associated with the handling of program materials and supplies. Includes loading, unloading, repackaging, etc. Does not include MC salaries.
8120	Transportation and Distribution of Program Materials and Supplies - Customs/Clearance	HQ & FO	Costs associated with the customs clearance of program materials and supplies. Includes customs duties and taxes, phytosanitary certificates, freight forwarders, etc.
8130	Transportation and Distribution of Program Materials and Supplies - Transport Penalties	HQ & FO	Fines and penalties associated with the transportation, handling, clearance and distribution of program materials and supplies. Includes detention, demurrage, other fines.
8140	Transportation and Distribution of Program Materials and Supplies - Air Charters	HQ & FO	Costs associated with chartering aircraft. Does not include air freight.
8200	Food Supplies	HQ & FO	Food purchases for distribution or in-kind payment to beneficiaries. Food purchases include items for human consumption, including food stuffs and drinking water. Does not include the purchase of seeds, nursery stock or animal feed (8210).



**MERCY CORPS  
CHART OF ACCOUNTS  
FOR FIELD OFFICES USING MAS90**

Field Finance Manual - Appendix 6

*Effective: July 1, 2011  
(Supersedes all previous versions)*

**Note:** This version of the Chart of Accounts is a modified version for use only by countries who are using MAS90 after July 1, 2011. This version will be superseded by the official version for use with Serenic Navigator when countries are converted to the new system. When country accounting records are consolidated into the Mercy Corps books in Serenic Navigator after July 1, 2011, some accounts will be mapped to new Navigator codes. For questions concerning coding and mapping, please contact your HQ Regional Finance Officer or Assistant Finance Officer.

ACCOUNT CODE	ACCOUNT NAME	HQ/ FIELD OFFICE	ACCOUNT DESCRIPTION
8210	Materials and Supplies	HQ & FO	Non-food materials, supplies, goods and non-capital equipment purchased as direct inputs to programs or for direct distribution to beneficiaries. (Capital equipment and vehicles purchased for beneficiaries to be reported as 7340 and 7510, respectively.)
8400	Construction Costs	HQ & FO	Costs associated with infrastructure repair or construction, including construction contracts, construction materials and non-Cash for Work labor cost. Includes all programmatic infrastructure, such as schools, roads, buildings, water systems, etc. (Does not include construction of MC buildings.)
8420	Other Contracts	HQ & FO	Any service contracts entered into as a direct program expense. Excludes distribution contracts, temporary labor, consultants, and construction contracts.
8500	Training and Meeting Expense for Beneficiaries	HQ & FO	Expenses associated with beneficiary (non-employee) training and meeting activities, including meeting facility expense, training or meeting supplies, refreshments. Does not include participant support costs, consultant or trainer fees, travel, translation/interpretation.
8530	Beneficiary Participant Support Costs	HQ & FO	Direct costs paid to or on behalf of participants or trainees (but not employees) for meetings, conferences or training projects. Includes items such as stipends, subsistence allowances, travel allowances and registration fees.
8540	Cash Projects	HQ & FO	Cash payments to individual beneficiaries (families, businesses or others) in support of program objectives. Includes cash for work payments, cash vouchers and other such disbursements. Does not include participant support costs for training activities.
Grants and Subgrants (8600-8610)	Codes 8600-8610 should be used for grants or subgrants. A <b>subgrant</b> is defined as an award of financial assistance made by Mercy Corps to an eligible subgrantee for the purpose of providing support for a documented program or project that is in keeping with the purpose of the original source of the funds. These codes should not be used for cash payments to beneficiaries that do not meet the requirements of subgrants.		
8600	Subgrants to U.S. Agencies	HQ only	Grants or subgrants issued to U.S. organizations or agencies. A U.S. organization is one with its headquarters located in the United States.
8605	Subgrants to International Agencies	HQ & FO	Grants or subgrants issued to international organizations or agencies. An international organization is a non-U.S. organization with its headquarters located in a country other than the country where the subgrant program is being implemented.
8610	Subgrants to Local Agencies	HQ & FO	Grants or subgrants issued to local organizations or agencies. A local organization is an NGO or other community-based organization with its headquarters located in the country where the subgrant program is being implemented.
8700	Loan Funds	HQ & FO	Loan disbursements associated with revolving loan fund programs.
8701	Loan Guarantee Funds	HQ & FO	Disbursements made to micro-finance institutions, local banks or other lending institutions to guarantee repayments on loans issued to beneficiaries.

**MERCY CORPS  
CHART OF ACCOUNTS  
FOR FIELD OFFICES USING MAS90**

Field Finance Manual - Appendix 6

*Effective: July 1, 2011  
(Supersedes all previous versions)*

**Note:** This version of the Chart of Accounts is a modified version for use only by countries who are using MAS90 after July 1, 2011. This version will be superseded by the official version for use with Serenic Navigator when countries are converted to the new system. When country accounting records are consolidated into the Mercy Corps books in Serenic Navigator after July 1, 2011, some accounts will be mapped to new Navigator codes. For questions concerning coding and mapping, please contact your HQ Regional Finance Officer or Assistant Finance Officer.

ACCOUNT CODE	ACCOUNT NAME	HQ/ FIELD OFFICE	ACCOUNT DESCRIPTION
8710	Loan Loss Provision Expense	HQ & FO	Accrued provision expense for uncollectible loans (in accordance with loan program provisioning policy).

This appendix lists the recommended files to be maintained by Mercy Corps' Country/Mission Finance Departments.

Templates are provided with this appendix to assist offices with creating files. Offices are encouraged to change and adapt templates to fit their requirements and circumstances. **(Note that Forms, unlike Templates, are intended to help achieve consistency across offices and cannot be changed).**

The recommended files to be maintained under this filing system contain documents that are related to a specific month or fiscal year and also files that contain documents that are not related to a specific month or fiscal year. To make eventual archiving easier, it is recommended that both sets of files be separated by fiscal year.

**Permanent Finance Files**

**17A.1 Finance Permanent File**

<b>File Contains:</b>	<ul style="list-style-type: none"> <li>• File contains documents that affect the work of the Finance Department, but which are not, by their nature, related to a specific transaction or general ledger balance.</li> <li>• Documents on Finance Department structure, such as organization charts and position descriptions</li> <li>• Approval Authority Matrix – current version and superseded versions.</li> <li>• Local Finance Policies and Procedures – current version and superseded versions.</li> <li>• Bank Account information</li> <li>• Government documents</li> <li>• Other documents that should be retained permanently by the Finance Department.</li> <li>• Contents should not duplicate items kept in other files per this guide.</li> </ul>
<b>Filing Order:</b>	<ul style="list-style-type: none"> <li>• Per Permanent Finance File Index.</li> <li>• Currently applicable version of each document should be filed first, followed by superseded versions.</li> </ul>
<b>Maintained By:</b>	<ul style="list-style-type: none"> <li>• Country Finance Manager</li> <li>• Field Offices should maintain abridged versions applicable to their operations.</li> </ul>
<b>Security/Access:</b>	<ul style="list-style-type: none"> <li>• Kept in lockable cabinet in Finance Department.</li> <li>• Access should be restricted to finance staff.</li> <li>• Copies of documents provided to other staff members upon request.</li> </ul>
<b>Archiving</b>	<ul style="list-style-type: none"> <li>• File is not archived, but kept accessible in the Finance Department for easy reference.</li> </ul>
<b>Related Documents:</b>	<ul style="list-style-type: none"> <li>• <i>FFM Template 17A.1 – Permanent Finance File Index</i></li> </ul>

**Monthly/Fiscal Year Finance Files**

The following files are recommended:

- 17A.2 Monthly Subjournal File (or Cash Transactions File)
- 17A.3 Monthly Journal Entry File
- 17A.4 Month End Finance File
- 17A.5 Tax Report File

**17A.2 Monthly Subjournal File**

<b>General:</b>	<ul style="list-style-type: none"> <li>Binders are maintained on a monthly basis.</li> <li>For subjournals with a high volume of transactions, multiple binders may be required each month.</li> <li>For some subjournals with a low volume of transactions, each month may be separated by a divider instead of starting a new binder.</li> </ul>
<b>File Contains:</b>	<ul style="list-style-type: none"> <li>Final approved subjournal for the month.</li> <li>Each Journal Voucher listed in the subjournal.</li> <li>Each voucher should be accompanied by the required supporting documentation.</li> </ul>
<p> Certain types of supporting documents may be filed separately from the Journal Voucher. Generally, these types of documents are contracts requiring multiple payments or larger tender packages. If the supporting document is not filed with the Journal Voucher, be sure that the location of the supporting documentation is written on the Journal Voucher.</p>	
<b>Filing Order:</b>	<ul style="list-style-type: none"> <li>Documents filed by Journal Voucher number, on a monthly basis.</li> <li>Each subjournal and supporting documentation should be filed separately. Do not combine vouchers and supporting documentation from separate subjournals in a binder.</li> </ul>
<b>Maintained By:</b>	<ul style="list-style-type: none"> <li>The Finance staff member responsible for the subjournal(s) in each office.</li> </ul>
<b>Security/Access:</b>	<ul style="list-style-type: none"> <li>Kept in lockable cabinet in Finance Department.</li> <li>Access should be restricted to finance staff.</li> <li>Copies of documents provided to other staff members upon request, if the transaction does not contain confidential information, such as employee salaries.</li> <li>Originals should not leave the finance department.</li> </ul>
<b>Archiving</b>	<ul style="list-style-type: none"> <li>Archived on a yearly basis, after the completion of the annual MC worldwide external audit.</li> </ul>
<b>Related Documents:</b>	<ul style="list-style-type: none"> <li><i>FFM Template 17A. 2 – Monthly Subjournal Binder Label</i></li> </ul>

**17A.3 Monthly Journal Entry Register and File**

<b>General:</b>	<ul style="list-style-type: none"> <li>Register is used to record each Journal Entry entered into MAS 90 and provides an index for the Monthly Journal Entry File.</li> <li>Journal Entries are transactions and adjustments entered directly into the general ledger.</li> </ul>

<p>Mercy Corps Field Finance Manual</p> <p><b>Appendix 17 – Recommended Finance Filing System</b> <span style="float: right;"><b>Effective: 3/1/09</b></span></p>
---

	<ul style="list-style-type: none"> <li>• Journal entries should be filed by month.</li> <li>• Each journal entry should be supported by documentation verifying the adjustment.</li> <li>• Each binder is maintained on a <u>monthly</u> basis.</li> <li>• For Country Offices with a large number of Journal Entries each month, multiple binders may be required for each month.</li> <li>• For some Country Offices with a low number of Journal Entries, each month may be separated by a divider instead of starting a new binder.</li> </ul>
	<p> A common internal audit finding is Journal Entries are not accompanied by documentation that allows the auditor to determine why the adjustment is being made and that the adjustment is appropriate. Always be sure that Journal Entries are supported!</p>
<b>File Contains:</b>	<ul style="list-style-type: none"> <li>• Monthly Journal Entry Register - used to assign a number to each journal entry and serves as an index for that month’s journal entry file.</li> <li>• Journal Entry Forms</li> <li>• Each Journal Entry Form is accompanied by supporting documentation.</li> </ul>
<b>Filing Order:</b>	<ul style="list-style-type: none"> <li>• Journal Entry Register is at the front of the file, and functions as an index.</li> <li>• Documents are filed by Journal Entry number, on a monthly basis.</li> </ul>
<b>Maintained By:</b>	<ul style="list-style-type: none"> <li>• Maintained by the Senior Finance Officer or other finance staff member responsible for maintaining the Balance Sheet accounts in MAS 90.</li> </ul>
<b>Security/Access:</b>	<ul style="list-style-type: none"> <li>• Kept in lockable cabinet in Finance Department.</li> <li>• Access should be restricted to finance staff.</li> <li>• Copies of documents provided to other staff members upon request, if the transaction does not contain confidential information, such as employee salaries.</li> <li>• Originals should not leave the finance department.</li> </ul>
<b>Archiving</b>	<ul style="list-style-type: none"> <li>• Archived on a yearly basis, after the completion of the annual MC worldwide external audit.</li> </ul>
<b>Related Documents:</b>	<ul style="list-style-type: none"> <li>• <i>FFM Template 17A.3 - Monthly Journal Entry Register</i></li> </ul>

**17A.4 Month End Finance File**

<b>17A.4 Month End Finance File</b>	
<b>General:</b>	<ul style="list-style-type: none"> <li>• The month end finance file contains key financial documents related to a specific month.</li> <li>• Each binder is maintained on a <u>monthly</u> basis.</li> </ul>
<b>File Contains:</b>	<ul style="list-style-type: none"> <li>• The final general ledger detail transaction report for the month.</li> <li>• Cash counts</li> <li>• Bank reconciliations.</li> <li>• Other key financial documents related to the specific month.</li> </ul>
<b>Filing Order:</b>	<ul style="list-style-type: none"> <li>• Per Monthly Finance File Index.</li> <li>• Separate indexes should be created for the Country Office and Field Offices.</li> </ul>
<b>Maintained By:</b>	<ul style="list-style-type: none"> <li>• Country Office and Field Offices - each office that maintains a subjournal.</li> <li>• Maintained by the Finance Manager, or designee, in the Country Office.</li> <li>• Maintained by the senior finance staff member, or designee, in Field</li> </ul>

Mercy Corps Field Finance Manual <i>Appendix 17 – Recommended Finance Filing System</i>		<i>Effective: 3/1/09</i>
---	--	--------------------------

	Offices.
<b>Security/Access:</b>	<ul style="list-style-type: none"> <li>Kept in lockable cabinet in Finance Department.</li> <li>Access should be restricted to finance staff.</li> </ul>
<b>Archiving</b>	<ul style="list-style-type: none"> <li>Archived on a yearly basis, after the completion of the annual MC worldwide external audit.</li> </ul>
<b>Related Documents:</b>	<ul style="list-style-type: none"> <li><i>FFM Template 17A.4A – Country Office Monthly Finance File Index</i></li> <li><i>FFM Template 17A.4B – Field Office Monthly Finance File Index</i></li> </ul>

#### 17A.5 Tax Report File

<b>General:</b>	<ul style="list-style-type: none"> <li>Contains all reports filed with tax authorities or other government agencies.</li> </ul>
<b>File Contains:</b>	<ul style="list-style-type: none"> <li>Reports submitted to local tax authorities, or other government agencies (such as social services) related to MC's in-country activities and employees.</li> <li>VAT Tax Reports submitted to HQ.</li> </ul>
<b>Filing Order:</b>	<ul style="list-style-type: none"> <li>Per Tax Report File Index, based on the reports required for each specific country.</li> </ul>
<b>Maintained By:</b>	<ul style="list-style-type: none"> <li>Country Office <u>or</u> Field Office - the office responsible for filing the reports and/or making payment/receiving payment.</li> <li>Finance Department</li> </ul>
<b>Security/Access:</b>	<ul style="list-style-type: none"> <li>Kept in lockable cabinet in Finance Department.</li> <li>Finance Staff</li> <li>Human Resources – reports related to employee/employer taxes and employee benefits.</li> </ul>
<b>Archiving</b>	<ul style="list-style-type: none"> <li>Archived on a yearly basis, after the completion of the annual MC worldwide external audit.</li> </ul>
<b>Related Documents:</b>	<ul style="list-style-type: none"> <li><i>FFM Template 17A.5 – Tax Report File Index</i></li> </ul>

#### Non-fiscal Year Based Finance Files

The finance department also maintains files for activities that are not based on the fiscal year. However, separation of these files by fiscal year will greatly simplify the archiving process.

The following are the recommended non-fiscal year based finance files:

- 17A.6 Finance Grant Files
- 17A.7 Finance Subgrant Files
- 17A.8 Contract File
- 17A.9 Facilities Lease File
- 17A.10 Preferred Supplier Contract File
- 17A.11 Vehicle Rental Contract File

### 17A.6 Finance Grant File

<b>17A.6 Finance Grant File</b>	
<b>General:</b>	<ul style="list-style-type: none"> <li>• Organize key Grant documents for reference, transparency and audit purposes.</li> <li>• A separate binder is kept for each grant.</li> <li>• <u>The Finance Department keeps the original versions of all grant related finance documents produced in the field.</u></li> <li>• Separate indexes can be created for the Country Office and Field Offices.</li> <li>• The Program Department should also maintain a grant file, which contains the programmatic documents and may also contain copies of the agreement and financial records.</li> </ul>
<b>File Contains:</b>	<ul style="list-style-type: none"> <li>• Key financial documents related to the grant.</li> </ul>
<b>Filing Order:</b>	<ul style="list-style-type: none"> <li>• Per Finance Grant File Index.</li> </ul>
<b>Maintained By:</b>	<ul style="list-style-type: none"> <li>• Country Office and Field Offices - each office that supports or implements the grant, or</li> <li>• Each office that charges expenses to the grant cost center.</li> <li>• Maintained by the Finance Manager, or designee, in the Country Office and field offices.</li> </ul>
<b>Security/Access:</b>	<ul style="list-style-type: none"> <li>• Kept in lockable cabinet in Finance Department.</li> <li>• Access should be restricted to finance staff designated by the Country Finance Manager.</li> </ul>
<b>Archiving</b>	<ul style="list-style-type: none"> <li>• Archive in the fiscal year that the grant ends.</li> <li>• Archived after the completion of the annual MC worldwide external audit for the fiscal year that the grant ends.</li> </ul>
<b>Related Documents:</b>	<ul style="list-style-type: none"> <li>• <i>FFM Template 17A.6 – Finance Grant File Index</i></li> </ul>

### 17A.7 Finance Subgrant File

<b>17A.7 Finance Subgrant File</b>	
<b>General:</b>	<ul style="list-style-type: none"> <li>• A separate binder is kept for each subgrant.</li> </ul>
<b>File Contains:</b>	<ul style="list-style-type: none"> <li>• Key financial documents related to the subgrant.</li> </ul>
<b>Filing Order:</b>	<ul style="list-style-type: none"> <li>• Per Finance Subgrant File Index.</li> </ul>
<b>Maintained By:</b>	<ul style="list-style-type: none"> <li>• Country Office <u>and/or</u> Field Office - the office responsible for making advances or payments to the subgrantee and the office responsible for financial monitoring of the subgrant (usually this will be the same office).</li> <li>• Generally maintained by the Finance Manager in the Country Office</li> <li>• Generally maintained by the senior finance staff member in Field Offices.</li> </ul>
<b>Security/Access:</b>	<ul style="list-style-type: none"> <li>• Kept in lockable cabinet in Finance Department.</li> <li>• Finance Staff</li> <li>• Program Staff involved with managing subgrant</li> </ul>
<b>Archiving</b>	<ul style="list-style-type: none"> <li>• Archive in the fiscal year that the subgrant ends.</li> <li>• Archived after the completion of the annual MC worldwide external audit</li> </ul>

	for the fiscal year that the subgrant ends.
<b>Related Documents:</b>	<i>FFM Template 17A.7 – Finance Subgrant File Index</i>

**17A.8 Contract Register and File**  
*(does not include Facilities Leases, Vehicle Rentals or Preferred Supplier Contracts)*

<b>General:</b>	<ul style="list-style-type: none"> <li>• Contract Register is used when a contract is created to assign the contract number.</li> <li>• Contract Register ensures consistent numbering of contracts.</li> <li>• <u>Contract File is used to file contracts until final payment per the contract is made, at which time the contract and supporting documents are filed in the Monthly Subjournal File with the final payment Journal Voucher.</u></li> </ul>
<b>File Contains:</b>	<ul style="list-style-type: none"> <li>• Contract File Register.</li> <li>• Contract Payment Coversheets (for each contract listed on the Contract Register).</li> <li>• Contracts – Contracts for an amount greater than \$500 or which require more than one payment.</li> <li>• Supporting documentation for the contract, including tender documents or other procurement documentation.</li> </ul>
<b>Filing Order:</b>	<ul style="list-style-type: none"> <li>• Each file has a Contract File Register in front which serves as the file index.</li> <li>• Contract Payment Coversheets and Contracts in order of Contract #, as assigned in the Contract File Register.</li> </ul>
<b>Maintained By:</b>	<ul style="list-style-type: none"> <li>• Country Office <u>or</u> Field Office - the office responsible for making contract payments.</li> <li>• Finance Department</li> </ul>
<b>Security/Access:</b>	<ul style="list-style-type: none"> <li>• Kept in lockable cabinet in Finance Department.</li> <li>• Finance Staff</li> <li>• Procurement Staff</li> <li>• Program Staff</li> </ul>
<b>Archiving</b>	<ul style="list-style-type: none"> <li>• Files should be separated by fiscal year, based on the fiscal year the containing <u>the date the Contract was signed</u>. (i.e. the file should contain only contracts which were signed between July 1, 200X and June 30, 200X. A new contract file(s) would be started for contracts signed in FY 2009).</li> <li>• The Contract File is archived with the fiscal year in which all contracts in the file have been completed.</li> </ul>
<b>Related Documents:</b>	<i>FFM Template 17A.8A – Contract Register</i> <i>FFM Template 17A.8B – Contract Payment Coversheet</i>

**17A.9 Facilities Lease Register and File**

<b>General:</b>	<ul style="list-style-type: none"> <li>• Register is used to assign number to a new facilities lease.</li> <li>• Register ensures consistent numbering of facilities leases.</li> </ul>



<p>Mercy Corps Field Finance Manual</p> <p><b>Appendix 17 – Recommended Finance Filing System</b> <span style="float: right;"><b>Effective: 3/1/09</b></span></p>
---

<b>File Contains:</b>	<ul style="list-style-type: none"> <li>• Facilities Lease File Register</li> <li>• Facilities Leases that are one month or longer in duration.</li> <li>• Procurement documents (including tender documents), if any, supporting a Facilities Lease should be included in the file behind the related lease.</li> </ul>
<b>Filing Order:</b>	<ul style="list-style-type: none"> <li>• Facilities Lease File Register in the front which serves as the file index.</li> <li>• Facilities Lease in order of Lease #, as assigned in the Facilities Lease Register.</li> </ul>
<b>Maintained By:</b>	<ul style="list-style-type: none"> <li>• Country Office <u>or</u> Field Office - the office responsible for making the lease payments.</li> </ul>
<b>Security/Access:</b>	<ul style="list-style-type: none"> <li>• Kept in a lockable cabinet in Finance Department.</li> <li>• Finance Staff</li> <li>• Operations Staff</li> <li>• Administration Staff</li> </ul>
<b>Archiving</b>	<ul style="list-style-type: none"> <li>• Files should be separated by fiscal year, based on the fiscal year containing <u>the date the Lease was signed</u>. (i.e. the file should contain only leases which were signed between July 1, 200X and June 30, 200X. A new facilities lease file(s) would be started for leases signed in FY 2009).</li> <li>• The facilities lease file is archived with the fiscal year in which <u>all</u> leases in the file have <u>ended</u>.</li> </ul>
<b>Related Documents:</b>	<b><i>FFM Template 17A.9 – Facilities Lease Register</i></b>

**17A.10 Preferred Supplier Contract Register and File**

<b>General:</b>	<ul style="list-style-type: none"> <li>• Register is used to assign number to a new preferred supplier agreement.</li> <li>• Register ensures consistent numbering of preferred supplier agreement</li> </ul>
<b>File Contains:</b>	<ul style="list-style-type: none"> <li>• Preferred Supplier Contract Register Preferred Supplier Contract</li> <li>• Procurement Documents (including tenders) supporting the Preferred Supplier Contract.</li> </ul>
<b>Filing Order:</b>	<ul style="list-style-type: none"> <li>• Each file has a Preferred Supplier Contract Register in front which serves as the file index.</li> <li>• Preferred Supplier Contracts in order of Contract #, as assigned in the Preferred Supplier Contract Register.</li> </ul>
<b>Maintained By:</b>	<ul style="list-style-type: none"> <li>• Country Office <u>or</u> Field Office - the office responsible for making payments.</li> </ul>
<b>Security/Access:</b>	<ul style="list-style-type: none"> <li>• Kept in a lockable cabinet in Finance Department.</li> <li>• Finance Staff</li> <li>• Procurement Staff</li> <li>• Administration and Operations Staff</li> </ul>
<b>Archiving</b>	<ul style="list-style-type: none"> <li>• Files should be separated by fiscal year, based on the fiscal year the containing <u>the date the contract was signed</u>. (i.e. the file should contain only contracts which were signed between July 1, 200X and June 30, 200X. A new preferred supplier contract file(s) would be started for contracts signed in FY 2009).</li> <li>• The Preferred Supplier Contract File is archived with the fiscal year, in</li> </ul>

	which the <u>all</u> contracts in the file have been <u>completed</u> .
<b>Related Documents:</b>	<i>FFM Template 17A.10 – Preferred Supplier Contract Register</i>

**17A.11 Vehicle Rental Contract Register and File**

<b>17A.11 Vehicle Rental Contract Register and File</b>	
<b>General:</b>	<ul style="list-style-type: none"> <li>• Register is used to assign number to a Vehicle Rental Contract.</li> <li>• Register ensures consistent numbering of vehicle rental contract.</li> </ul>
<b>File Contains:</b>	<ul style="list-style-type: none"> <li>• Vehicle Rental Contract Register Vehicle Rental Contracts that are 1 month or longer in duration.</li> <li>• Procurement Documents (including tender documents) supporting Vehicle Rental Contracts</li> </ul>
<b>Filing Order:</b>	<ul style="list-style-type: none"> <li>• Each file has a Vehicle Rental Contract Register in front which serves as the file index.</li> <li>• Vehicle Rental Contract in order of Contract #, as assigned in the Vehicle Rental Contract Register.</li> </ul>
<b>Maintained By:</b>	<ul style="list-style-type: none"> <li>• Country Office <u>or</u> Field Office - the office responsible for making the rental payments.</li> </ul>
<b>Security/Access:</b>	<ul style="list-style-type: none"> <li>• Kept in a lockable cabinet in Finance Department.</li> <li>• Finance Staff</li> <li>• Procurement Staff</li> <li>• Administration and Operations Staff</li> </ul>
<b>Archiving</b>	<ul style="list-style-type: none"> <li>• Files should be separated by fiscal year, based on the fiscal year the containing <u>the date the contract was signed</u>. (i.e. the file should contain only contracts which were signed between July 1, 200X and June 30, 200X. A new preferred supplier contract file(s) would be started for contracts signed in FY 2009).</li> <li>• The Vehicle Rental Contract File is archived with the fiscal year in which <u>all</u> contracts in the file have been <u>completed</u>.</li> </ul>
<b>Related Documents:</b>	<i>FFM Template 17A.11 – Vehicle Rental Contract Register</i>