



Financial Controls Policy

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1. Purpose

To establish policy, procedures, and checks and balances for the financial operations of Verbree International.

2. Scope

This policy is applicable to all Verbree International officers, directors, employees, and volunteers who conduct any form of financial transaction on behalf of Verbree International or use Verbree International funds.

3. Definitions

The following terms are defined for use throughout this policy.

3.1. Staff

Any officer, director, employee, or volunteer conducting a financial transaction or using Verbree International funds on behalf of Verbree International.

3.2. Company/Organization

Verbree International as a legal entity.

3.3. Project Manager

An employee of Verbree International who is ultimately responsible for the project for which financial transactions are being made. If the financial transaction does not apply to a specific project, the Executive Director assumes this role for transactions that occur in the field or the Board President for transactions that occur at regional offices.

3.4. Accountant

A person designated by Verbree International to be responsible for recording all financial transactions, making financial reports to the Board of Directors or to the proper authorities, keeping Verbree International's financial system current, and keeping careful and complete records of all financial transaction in a safe and secure location.

3.5. Cashier

A person designated by Verbree International to be responsible for all monetary assets, including undeposited checks and cash, petty cash accounts, funds in bank accounts, and electronic transfers of funds.

3.6. Purchaser

Any person making a purchase with Verbree International funds.

4. Separation of Duties

4.1. Authorization of Transaction Function – Project Manager

The Project Manager is the only one who can authorize expenses for the project to which he is assigned and only as authorized through prior approval of the project budget by the Board of Directors.

The Project Manager is responsible for keeping all project expenses within the approved budget for his project. On a monthly basis, he must complete a Budget Comparison Report and notify the Executive Director as soon as possible if actual expenses exceed or fall short of budgeted expenses by 10% so that adjustments can be made if necessary.

- The Project Manager is responsible for:
- Approving all purchase orders and cash advances for his project.
- Auditing all expense reports for his project.
- Approving any financially binding contracts or agreements for his project.

4.2. Custody of Assets Function – Cashier

Only a Cashier who is NOT the Project Manager is permitted to withdraw or deposit funds in any form from organization accounts or safes.

The Cashier is responsible for:

- Signing the Safe Book.
- Providing cash advances only after verifying the project number and Project Manager. Authorization.
- Closing out cash advances and expense reports only after the expense reports have been audited by the Project Manager.
- Collecting all financial documents such as expense reports, cash advances, receipts, purchase orders, etc., compiling them and providing them to the Accountant.
- Writing two receipts for each donation – one for the donor and one for the Accountant.
- Collecting and depositing donations including electronic donations and wire transfers into a Verbree International bank account or safe.

4.3. Accounting Function

The Accountant is responsible for:

- Reviewing transactions for accuracy, validity, appropriateness, and proper authorization and identifying errors and discrepancies.
- Investigating discrepancies and attempting to resolve them with the appropriate

Project Manager(s) or Executive Director. If the discrepancy is not resolved, the Accountant must notify the Board of Directors and the Board must conduct an internal audit to determine the cause and implement a solution.

- Monitoring overall project balances to ensure that the total withdrawn from bank accounts for a given project does not exceed that project's approved budget.
- Consolidating and reviewing cash receipts from cashiers and entering all financial transactions into the financial system (i.e. Quickbooks®).
- Preparing financial reports for Management, the Board of Directors, and State and Federal agencies.
- All annual filings such as the IRS 990 form and annual registration to the various states' secretary of state, attorney general, and charity and business offices.

4.4. Purchasing Function

The Purchaser is responsible for:

- Filling out the proper request form for purchasing (i.e., purchase order or cash advance).
- Documenting three quotes whenever possible for each purchase over \$200 and explaining why a quote was chosen if it was not the least expensive.
- Receiving authorization for all purchases from the appropriate Project Manager.
- Keeping an expense report and receipts for purchases and providing them to the Cashier in order to close out any purchase orders or cash advances after audited by the Project Manager.

5. Procedures

5.1. Receiving Donations

The procedure is described in Illustration 1. The procedure is as follows:

1. Cashier receives a cash, check, notification of an online donation, or processes a donor's credit card at their request.
2. The Cashier fills out a sales receipt in duplicate and gives one copy to the donor.
3. The Cashier deposits the funds in a Verbree International bank account and receives a deposit receipt from the bank.
4. At the end of each month or when requested by the Accountant, the Cashier gives the second copy of all of the sales receipts for funds deposited and all deposit receipts from the past month to the Accountant for reconciliation.
5. Accountant will receive a bank statement for each month and will reconcile all received and deposited donations with the bank statement.

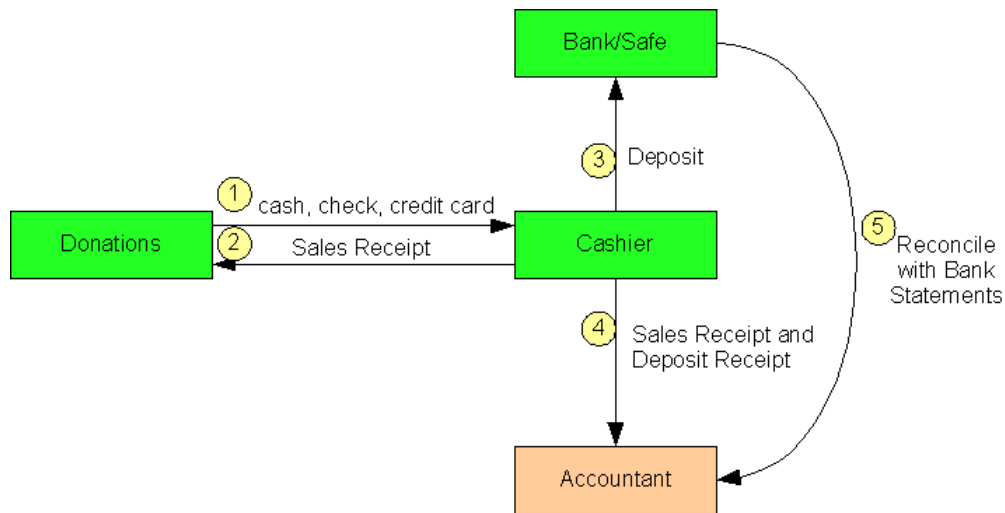


Illustration 1: Procedure for Receiving Donations

5.2. Expenses at Home (Within the U.S.)

Illustration 2 shows the system of financial controls for expenditures at Home (within the U.S.).

The procedure for purchasing items at home is as follows:

1. Purchaser requests funds by filling out a Purchase Order or a Cash Advance form.
2. Purchaser obtains signed authorization from the Executive Director if the expense is permitted by a budget or Financial Authorization Form approved by the Board of Directors.
3. Purchaser takes the signed Purchase Order or Cash Advance form to the Cashier to retrieve the necessary funds.
4. Purchaser makes the purchase.
5. For Cash Advances, the Purchaser submits the Expense Report to the Executive Director to be approved (audited).
6. The Purchaser clears any Cash Advance or Purchase Orders with the Cashier, leaving the Cashier with the original receipts.
7. The Cashier gives the closed-out Cash Advance or Purchase Order with all original receipts and any Expense Reports to the Accountant for end of month reconciliation.

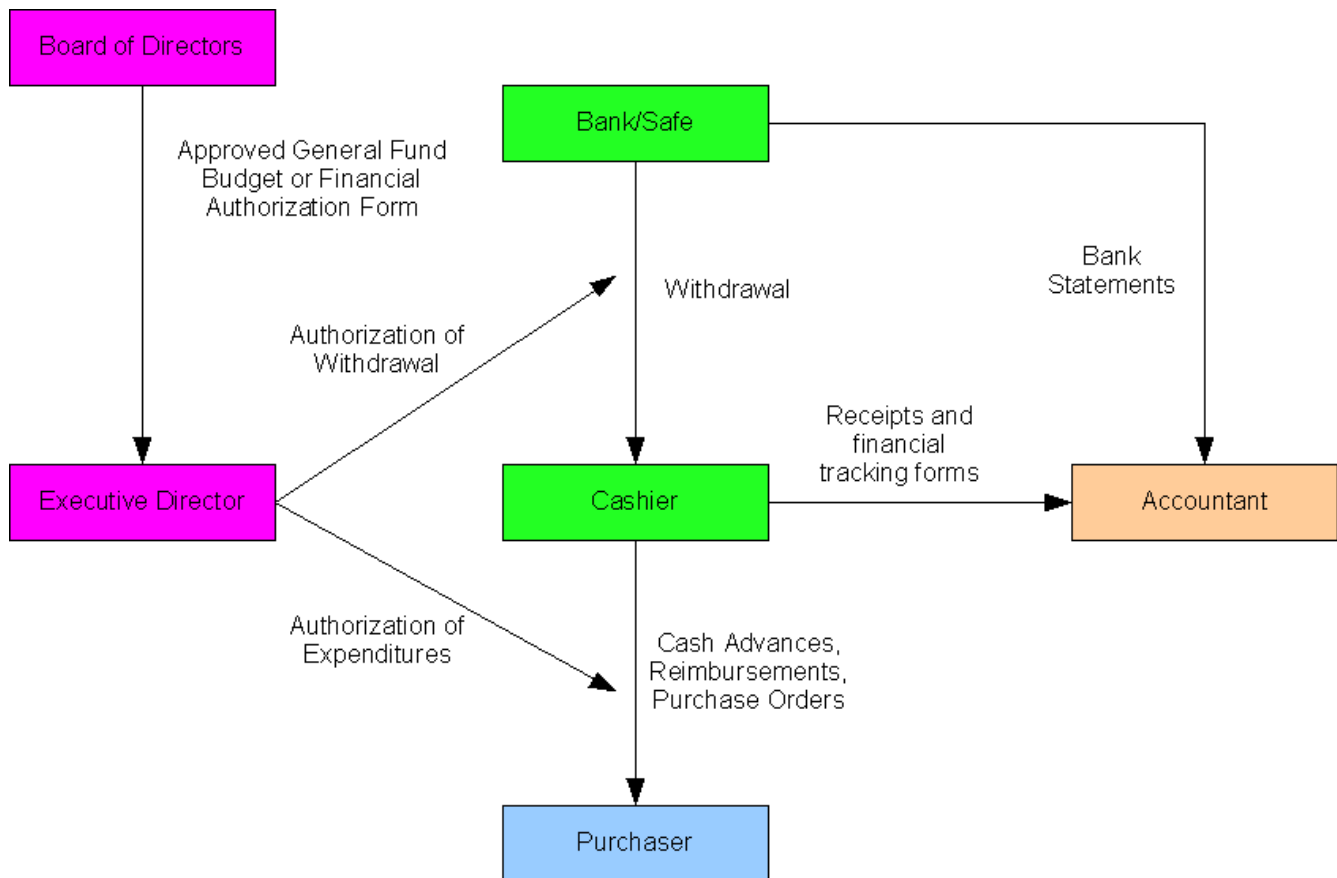


Illustration 2: Financial Controls for Expenditures within the U.S.

5.3. Expenses in the Field (Outside the U.S.)

The logical system of separation of duties is described by Illustration 3 shows the system of financial controls for expenditures outside the U.S.

The procedure for purchasing items outside the U.S. is as follows:

1. Purchaser requests funds by filling out a Purchase Order or a Cash Advance form.
2. Purchaser obtains signed authorization from the Project Manager if the expense is permitted by the project budget. Otherwise, additional funds may be requested by the Project Manager.
3. Purchaser takes the signed Purchase Order or Cash Advance form to the Field Cashier to retrieve the necessary funds if available. If additional funds are not available in the field, the Field Cashier requests a wire transfer from the Accountant.
4. Purchaser makes the purchase.
5. For Cash Advances, the Purchaser submits the Expense Report to the Project Manager to be approved (audited).
6. The Purchaser clears any Cash Advance or Purchase Orders with the Field Cashier, leaving the Field Cashier with the original receipts.
7. The Field Cashier gives the closed-out Cash Advance or Purchase Order with all original receipts and any Expense Reports to the Project Manager to be sent to the

Accountant for end of month reconciliation.

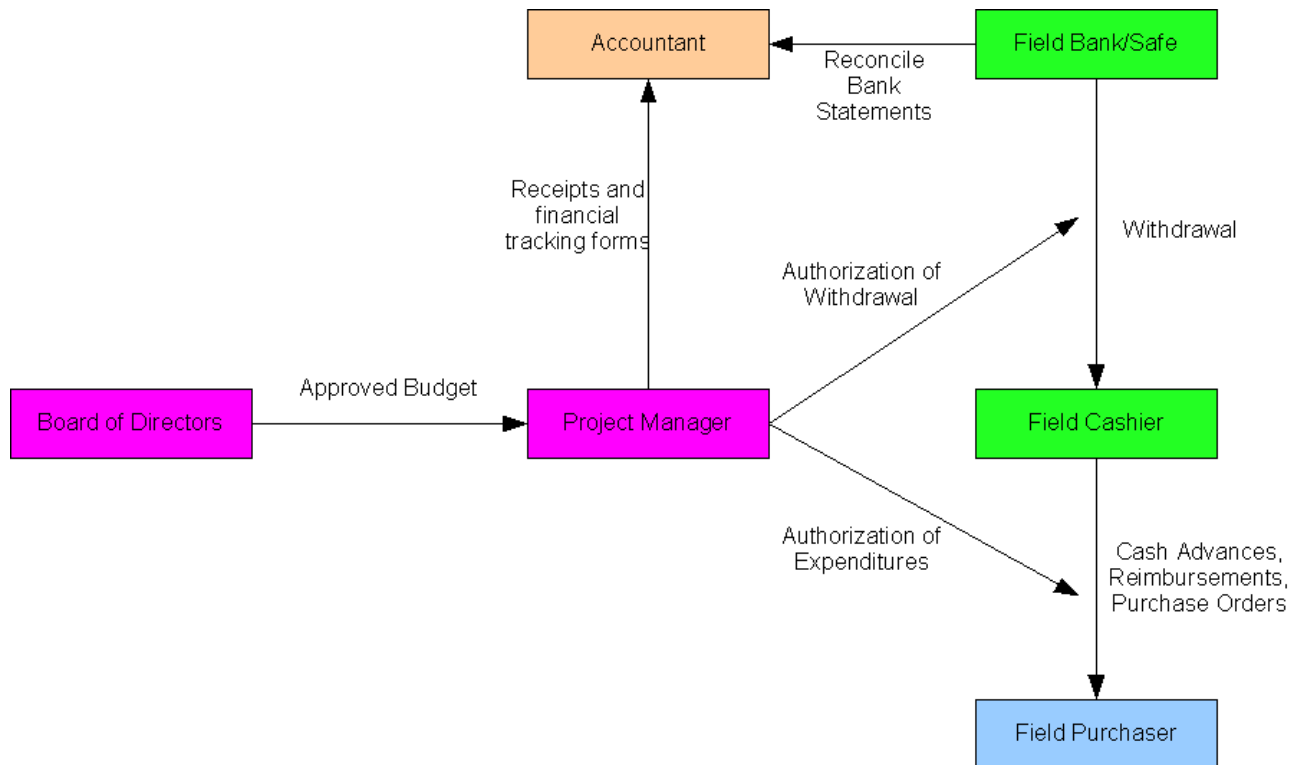


Illustration 3: Financial Controls for Expenditures in the Field

5.4. Transfer of Funds to the Field

Funds may be transferred to the field either by a cash transfer or wire transfer. A cash transfer is hand carried to the field by the Field Cashier or via a Cash Advance to another Staff member. A wire transfer is the preferred method because it involves no physical movement of money which greatly reduces Organizational risk. The procedure for a wire transfer is described in Illustration 4 and is as follows:

1. The Project Manager in the field requests a wire transfer from the Accountant.
2. The Accountant verifies the transfer to ensure that the Project Manager does not exceed the amount budgeted for his/her project.
3. The Cashier in the U.S. initiates a cash transfer or wire transfer.
4. The Organization's U.S. bank transfers the funds to the Organization's host country bank.
5. The Field Cashier goes to the bank to accept the wire transfer often by presenting a passcode that was assigned by the sending bank and sent by encrypted email from the Cashier in the U.S.

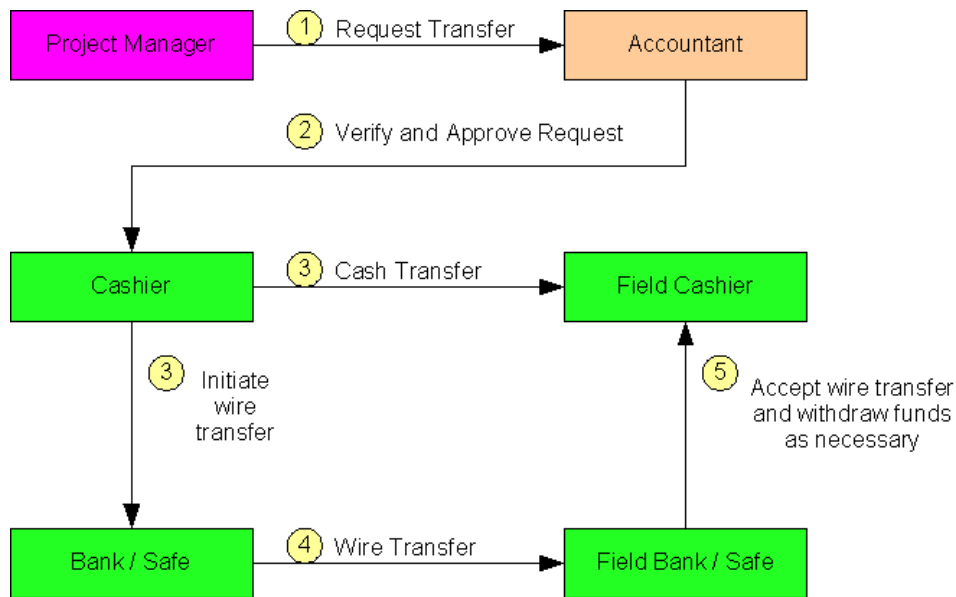


Illustration 4: Procedure for Transferring Funds to the Field

5.5. Payments to Staff

The Organization permits reimbursements, per diems, wages, and salaries to be paid to staff whether they are located in the U.S. or abroad. Each staff member may choose up to four options for how they would like to receive funds. A staff member's option can be changed on a monthly basis or as necessary as determined by the Project Manager. The following four options of payment are: 1) cash payment to staff in the U.S.; 2) cash payment to staff in the field; 3) direct deposit to a staff member's field bank account; or, 4) direct deposit to a staff member's U.S. bank account.

Illustration 5 shows how these transfers are achieved.

The procedure for payments to staff is as follows:

1. The Project Manager or Payroll/Human Resources personnel make a request indicating the method of payment in accordance with the staff member's contract or memorandum of understanding from the Accountant .
1. The Accountant verifies that sufficient funds exist in the specified project budget or general budget.
2. The Cashier in the U.S. initiates a wire transfer or withdraws the funds as necessary.
3. Cash payments may be made directly to a staff member in the U.S. or they may be wire transferred to the Organization's bank account in the field, withdrawn, and paid directly to a field staff member. Funds may also be directly deposited via a wire transfer into a a staff member's bank account in the field.

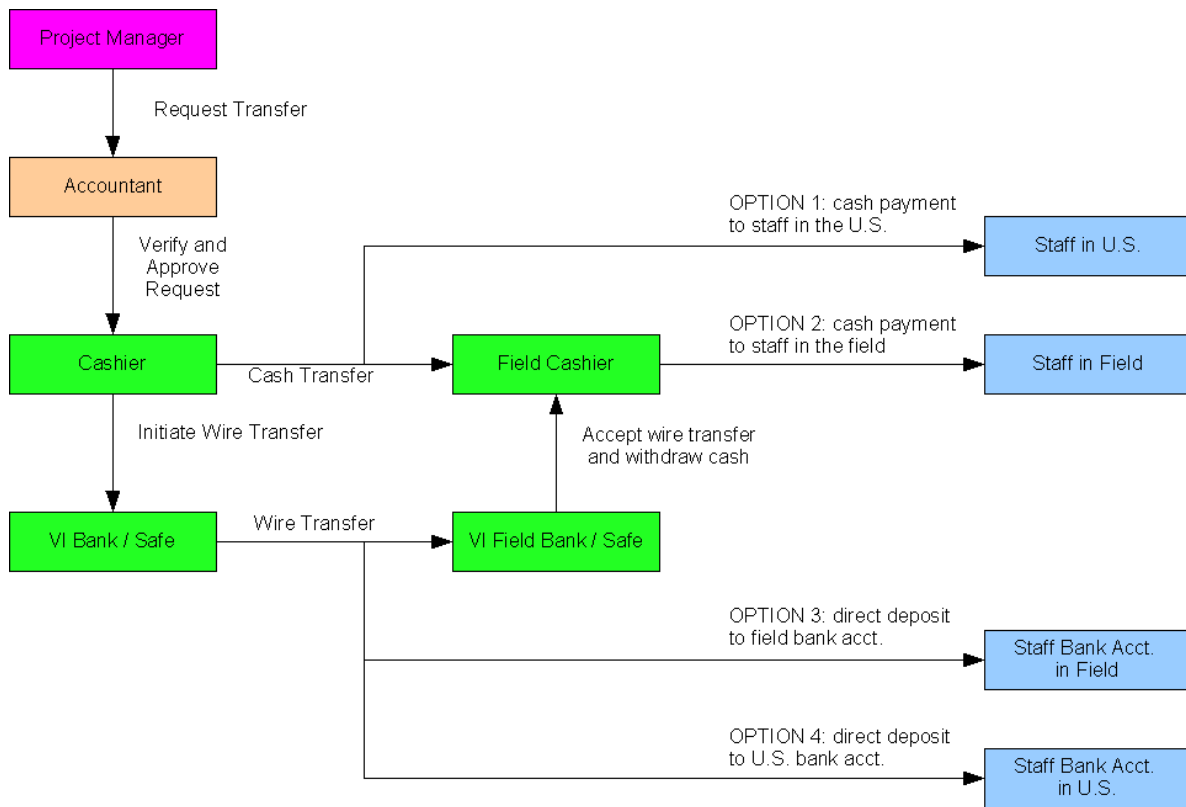


Illustration 5: Methods of Payments to Staff