

MGIC Policies and Procedures – Financial Affairs

Board Approved September 2023

Contents

5 - FINANCIAL AFFAIRS.....	1
Definitions	1
5-1 Overview of MGIC Financial Policies and Procedures.....	4
Organization of the Financial Policies and Procedures.....	4
Finance-related forms.....	5
Primary responsibility	5
MGIC finance and procurement teams’ duties.....	5
Responsibilities in MGIC offices funded by more than one UMB Funding Unit	6
Exceptions and exceptions request process	7
Checklist for CDs/CRs	7
Key references	8
General Financial Policies	8
5-2 Conduct and Responsibility.....	8
Policy statement	8
Procedures	10
Checklist for CDs/CRs.....	11
Key references	11
5-3 Internal Controls	11
Policy statement	11
Procedures	12
Checklist for CDs/CRs.....	12
Key references	13
5-4 Signature Authorities	13
Policy statement	13
Developing and amending the Tables of Authorities	14
Knowledge of and accessibility to the Tables of Authorities	14
Temporary authorities, when acting in another’s stead	14
Requesting delegation of signature authority	15
Checklist for CDs/CRs	15
Key references	15
5-5 Audits and Internal Reviews	16
Policy statement for internal audits and financial reviews	16
Policy statement for external audits.....	16
Procedures	16

Checklist for CDs/CRs	17
5-6 Payment Authorization Agreements and Budgets	18
Policy statement for Payment Authorization Agreements	18
Policy statement for other funding mechanisms.....	18
Policy statement for MGIC budgets	19
Checklist for CDs/CRs	19
Key references	19
Financial Management Systems and Processes.....	20
5-7 Financial Management Systems and Processes.....	20
Policy statement	20
Standards for invoices.....	20
Standards for recorded transactions	21
Standards for reimbursements	21
Allowable versus unallowable costs	22
Pre-award costs	23
Cost share and in-kind contributions	23
Standards for approving transactions.....	24
Correcting entries (journal entries)	24
Checklist for CDs/CRs	25
Key references	25
5-8 Retention of Financial Records	25
Policy statement	25
Team responsibilities	26
Checklist for CDs/CRs	26
Key references	26
5-9 Cost Allocation	26
Policy statement	26
Procedures	27
Checklist for CDs/CRs	28
Key references	28
Cash Management	28
5-10 Expenditure Forecasts and the Remote Imprest Fund	28
Policy statement	28
Procedures	29
Checklist for CDs/CRs	29
Key references	29
5-11 Bank Accounts.....	29
Policy statement	29

Establishing, changing, and closing bank accounts.....	30
Internal controls for bank accounts and checks	31
Cash and staff security	32
Transfer of funds between the USD and local currency accounts.....	32
Disbursements	32
Checklist for CDs/CRs	33
Key references	33
5-12 Payment of Expenses	33
Policy statement	33
Electronic payments.....	34
Mobile money transfers (MMTs)	35
Checks	36
Petty cash.....	36
Exchange rates	38
Checklist for CDs/CRs	39
Key references	39
5-13 Advances	40
Policy statement	40
Requesting a travel advance	41
Reconciling a travel advance.....	42
Requesting a program advance	43
Reconciling a program advance	43
Delayed reconciliations	43
Checklist for CDs/CRs	44
Key references	44
Other Financial Policies.....	44
5-14 Payroll	44
Policy statement	45
Timekeeping and levels of effort	45
Payroll software and service providers.....	45
Forms of payment.....	46
Payroll withholdings.....	46
Responsibilities	46
Recordkeeping	47
Payroll reconciliation and adjustments	47
Checklist for CDs/CRs	47
Key references	48
5-15 Procurement	48

Policy statement	48
Overview of the procurement procedures	49
Overarching requirements.....	50
Special considerations for procurement.....	56
Processes for procurement of goods and services	60
Purchase framework agreements.....	68
Procurement agreement review, including renewals.....	69
Procuring and managing independent contractors	70
Change orders	72
Record retention.....	72
Checklist for CDs/CRs	73
Key references	73
5-16 Financial Reporting to UMB	74
Policy statement	74
Month-end closing procedures.....	75
Monthly financial report submission package.....	75
Verification by the CD/CR or DFA	76
UMB review	76
Reimbursement of in-country expenses	76
Reimbursement of MGIC USA expenses.....	77
Quarterly financial reporting	77
Annual closing procedures and reporting.....	77
Checklist for CDs/CRs	78
Key references	78

5 - FINANCIAL AFFAIRS

Definitions

Acquisition cost: The total cost of acquiring an asset that includes the asset cost itself, as well as taxes, shipping, set-up costs, discounts, and operating system software, memory, or other additions listed on the asset invoice that are integral to the equipment.

Allocable cost: A cost where the goods or services involved are chargeable or assignable to that award/project.

Allowable cost: A cost that is necessary and reasonable for the intended use and allocable to that award/project.

Award: A legal instrument – usually a cooperative agreement, grant, or contract – that provides financial assistance to a recipient to carry out a project.

Budget period: A specific interval of time into which an award with a multi-year *project period of performance* is divided for budgetary and funding purposes, typically 12 months long; the time interval during which the award recipient is authorized to expend the current funds awarded.

Conflict of Interest: A situation in which a person is in a position to derive personal benefit from actions or decisions made in the person's official capacity; a situation in which the interests of the person compete with the interests of Maryland Global Initiatives Corporation (MGIC) or the University of Maryland, Baltimore (UMB).

Consultant: see *Independent contractor*

Cost allocation: The process of proportionally distributing costs to the appropriate projects or activities in a way that is fair, transparent, consistent, and compliant with U.S. government (USG) requirements ([2 CFR 200.405](#) in the [USG Uniform Guidance](#)) and is based on the needs of each project.

Cost allocation methodology (CAM): The methodology used to distribute costs that benefit two or more projects or activities to the appropriate funding sources in a way that is fair, transparent, consistent, and compliant with [USG Uniform Guidance](#).

Cost Allocation Plan (CAP): A plan used by the country office to document the methods and procedures to allocate costs to various funding agreements. It details for each type of cost how those costs are to be allocated.

Country director (CD): The lead manager of a country office. The CD position directly supervises senior management positions in an MGIC country office and reports to the designee of the MGIC President. In non-traditional MGIC structures (such as MGIC USA, small teams or embedded positions), the CD role is referred to as a Country Representative (CR).

Country office (CO): An MGIC branch office, corporate affiliate, field office, or program office established in a physical facility outside the United States, to conduct business in a country where UMB's research, education, and related programs are implemented.

Country office (CO) personnel: All employees working in an MGIC country office, whether on UMB payroll, MGIC payroll, or another UMB-authorized payroll, including staff, UMB faculty with CO positions, fellows, students, interns, and volunteers.

Country representative (CR): The senior-most representative of MGIC based in a country or representing MGIC in that country remotely, as designated by the MGIC President. In countries where MGIC operates a full country office, the senior-most MGIC representative is the Country director (CD). In countries where MGIC is not legally registered, does not have a full country office, or has another operating model (e.g., embedded within a partner institution), the MGIC Country Representative role may be held by the AVP of International Operations, an MGIC consultant or employee hired through the MGIC under an Employer of Record (EOR) contract, or another position as designated by the MGIC President.

Director of finance and administration (DFA): The lead manager of the MGIC financial and accounting functions for an office or team, who may oversee and direct the office's

administrative/operational functions as well, and whose title might be Director of Finance and Administration, Head of Finance, International Finance & Procurement Manager, or some other title indicating their leadership role in MGIC financial management.

Employer of Record (EOR): A professional employment firm that takes on the role of managing payroll, benefits, and risk management for a company's employees on its behalf, relieving the company of these responsibilities.

Finance team: Finance director, financial analysts, accountants, and other MGIC staff with primarily financial responsibilities.

Fraud: Wrongful or criminal deception that is intended to result in financial or personal gain or to deprive a victim of a legal right. Fraud can violate civil law or criminal law, or it may cause no loss of money, property, or legal right but still be an element of another civil or criminal wrong.

Funding source: A source of income to MGIC, which most often comes in the form of a sponsored project under the funding mechanism of a UMB grant, cooperative agreement, or contract, but could be UMB lightly restricted or unrestricted funds.

Human resources (HR) lead: The lead specialist with responsibilities related to MGIC human resources management, which could in some cases be the DFA or a project manager.

Independent contractor: An individual or firm engaged to provide services specified in a consulting agreement that includes a clear description of the activities, services, reports, and deliverables to be provided, also may be referred to as a *consultant*.

MGIC Funding Agreement: A legal instrument executed between MGIC USA, on behalf of a UMB school, department, or center (Funding Unit), and a recipient organization, to jointly implement an activity in which the recipient has a substantial scope of work and associated budget. MGIC Funding Agreements are funded through UMB lightly restricted or unrestricted funds, never through sponsor awards.

MGIC Office: A unit, team, or designated representative within MGIC who maintain a physical presence in a country (such as a Country Office), or operate remotely when there is no physical office in country (such as MGIC USA).

MGIC Office Leadership: The CD or designated Country Representative, director of finance and administration (DFA), and other senior managers whom the CD supervises and who are collectively accountable for office or team management, operations, and programs.

MGIC Personnel: All employees working in an MGIC position, whether on UMB payroll, MGIC payroll, or another UMB-authorized payroll, including staff, UMB faculty with MGIC positions, fellows, students, interns, and other temporary workers, and individuals formally seconded to MGIC under professional services agreements with MGIC.

MGIC USA: The operational structure of MGIC procedures and services provided to UMB Funding Units outside of an MGIC country office. MGIC USA's services include procurement, financial transactions, recruitment and employment, and facilitation of legal services in countries where MGIC is not registered or operational. MGIC USA is an MGIC Office and is subject to the MGIC policies and procedures.

Payment Authorization Agreement (PAA): An agreement instrument that establishes the terms under which sponsored or lightly restricted project funds that are disbursed from UMB to its affiliate must be used for direct implementation of UMB's research and programs through the affiliate.

Procurement agreement: A written agreement between a buyer and a seller in which the buyer agrees to purchase goods and/or services from the seller in exchange for payment, e.g., a service contract, a purchase order (PO) with terms and conditions attached, or a consulting agreement.

Procurement lead: The staff member designated to manage MGIC's procurement function and ensure MGIC procurement standards are met.

Project: A distinct programmatic or research activity funded by a sponsor or by UMB lightly restricted or unrestricted funds that has specified expected results, timeframe, and budget.

Project period of performance: A project's time period for implementation, with an award start and end date; the anticipated time interval between the start and end date of an initial award or renewed award.

Purchase framework agreement (PFA): A method of acquiring a variety of goods and services under a long-term agreement when an order is issued, used to fill repetitive needs for goods and services at a pre-determined price over a specified period.

Reasonable cost: A cost that, in its nature and amount, does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost; with consideration for whether the cost is of a type generally recognized as ordinary and necessary for the operation of the institution or the proper and efficient performance of the project, taking into account restraints or requirements imposed by such factors as sound business practices, arm's-length bargaining; national and local laws and regulations, and with consideration of market prices for comparable goods or services for the geographic area. For the full text on reasonable costs applicable to USG funding, see [2 CFR 200.404](#) in the [USG Uniform Guidance](#).

Recipient: A legal entity to which MGIC issues a Funding Agreement on behalf of UMB to carry out part of a project, and which is accountable to MGIC on behalf of UMB for the use of the funds provided, and also referred to as an Implementing Partner.

Refitting contract: A type of subaward that provides a subcontractor with resources to construct or refit existing facilities, carried out as part of a project, and subject to specific sponsor restrictions.

Requestor: The individual whose department or team requires procurement of goods or services and who initiates the procurement through submission of a purchase requisition.

Signature authority: Legal power delegated by an authoritative body to commit the authorizing organization to a binding agreement.

Sponsor: A funder of a sponsored project; an awarding agency or institutional donor; a funding source; an institution that funds activity that is separately budgeted and accounted for according to the terms the institution lays out in an award agreement.

Sponsored project: A project funded by a sponsor (as opposed to those funded by UMB lightly restricted or unrestricted funds).

Subagreement: A document such as a subgrant or subcontract written under the authority of, and consistent with the terms and conditions of an award (cooperative agreement, grant, or contract) that transfers a portion of the resources to another entity to carry out part of a project.

Subaward: A legal instrument – usually a subgrant or subcontract – provided to a subrecipient to carry out part of a project, and which transfers a portion of the resources to the subrecipient as documented in the subagreement.

Subcontractor: An entity that receives a contract by which the procurer purchases goods or services necessary for the performance of another's contract.

Subrecipient: A legal entity to which an award recipient makes a subaward to carry out part of a project, and which is accountable to the award recipient for the use of the funds provided, and also referred to as a **subawardee**.

UMB Central Administration: The offices and departments of UMB that oversee university-wide systems, policies, procedures, and standards. These offices are designated by the MGIC Board to support the governance, compliance, and administration of MGIC. They include, among others, International Operations, Sponsored Program Administration, Sponsored Program Accounting and Compliance, Human Resources, the Office of the Controller, the Office of Accountability and Compliance, and the Office of Legal Counsel.

UMB department administrator: The person in a UMB Funding Unit who typically serves as chief financial and operating officer for the UMB unit and is responsible for the planning and execution of compliance, financial, personnel, and other administrative affairs for the department's programs. When multiple UMB Funding Units engage the same MGIC office, the MGIC President designates one individual to serve as the UMB department administrator for that MGIC office's approvals and oversight purposes.

UMB department operations lead: The person in a UMB Funding Unit with responsibilities related to program operations, human resources management, and administration. When multiple UMB Funding Units engage the same MGIC office, the MGIC President designates one individual to serve as the UMB department operations lead for that MGIC office's approvals and oversight purposes.

UMB department program lead: The person in a UMB Funding Unit who directs the program. This role is often performed by the Principal Investigator or equivalent program director named in UMB's award agreement. This role may directly supervise MGIC technical leads in collaboration with the CD/CR.

UMB Funding Unit: A UMB school, department, institute, center, or other structure that manages international program awards and engages and funds MGIC to implement those programs.

UMB lightly restricted or unrestricted funds: UMB private funds (versus award funds) that are provided to MGIC with minimal spending restrictions indicated; sometimes referred to as "discretionary funds."

Whistleblowing: Reporting issues of suspected or known fiscal irregularities, illegal activity, and violations of policy

5-1 Overview of MGIC Financial Policies and Procedures

Organization of the Financial Policies and Procedures

The ability to provide accurate, complete, and timely financial information enables the University of Maryland, Baltimore (UMB) and its affiliate, the Maryland Global Initiatives Corporation (MGIC), to comply with the reporting requirements of its various funders of sponsored projects ("sponsors"). It also supports UMB's and MGIC's decision making and enhances their ability to attract new funding opportunities.

About "Designees"

MGIC Policies and Procedures assign authorities and responsibilities to certain leadership positions. However, directors and managers may designate or delegate those authorities and responsibilities to colleagues, unless otherwise indicated and in accordance with the [5-4 Signature Authorities](#) and with appropriate internal controls in place.

These Financial Policies and Procedures direct and guide MGIC financial management, providing the necessary tools to effectively manage and report on the organization's financial resources.

- The first portion (subsections 5-1 through 5-6) covers general financial policies such as codes of conduct, internal controls, signature authorities, audits, and Payment Authorization Agreements (PAAs).
- The second portion (subsections 5-7 through 5-9) addresses financial management systems and processes, with guidance related to compliance and MGIC's cost allocation methodology.
- Other subsections (5-10 through 5-14) cover cash management and payroll.
- Comprehensive procurement procedures are provided in subsection 5-15.
- Also described are the requirements associated with monthly, quarterly, and annual financial reporting from the MGIC office to UMB, in subsection 5-16.

Throughout these financial policies and procedures, the compliance requirements applicable to U.S. government (USG) funding are highlighted.

Key policies and procedures related to financial management and complementary to those in this section may be found in other sections of MGIC Policies and Procedures. See, for example:

- [2-Ethics and Conduct](#)
- [3-6 Insurance](#)
- [3-7 Property Management](#)
- [3-8 Travel](#)
- [3-9 Vehicle Use and Fleet Management](#)
- [3-11 Confidentiality and Data Security](#)
- [3-12 Record Retention and Access](#)

The MGIC Financial Policies and Procedures provide a framework within which country-specific financial processes, procedures, and guidelines must fall. The country- or office-level details are laid out in documentation such as standard operating procedures and job aids.

Finance-related forms

MGIC Financial Policies and Procedures have a large volume of standardized forms and formats, as well as samples. These are available in the [MGIC Forms Library](#) in editable formats, to facilitate the country offices adapting the forms to their specific needs. Such adaptations will range from adding the country office name and address to including an extra column or additional signatory.

Over time, MGIC has been migrating forms to online platforms. ***Where online versions of forms exist, MGIC teams should not use the versions provided in the*** [MGIC Forms Library](#). For example, since the accounting software is capable of capturing the information and approval process of the [Journal Entry Form](#) in the system, then the [Journal Entry Form](#) does not need to be completed external to the system.

Primary responsibility

Primary responsibility for financial management resides with the DFA or equivalent position as noted in the Definitions above (hereafter referred to as simply DFA) in each office, although another senior manager may separately hold primary responsibility for procurement. The CD or CR is ultimately accountable for this entire area of operations, as with all MGIC operations.

MGIC finance and procurement teams' duties

While the organizational structure of MGIC's offices varies, the duties of the finance and procurement teams are consistent from one structure to the next. The core responsibilities are:

- Foster a work environment where the [MGIC Code of Ethics and Professional Conduct](#) (the Code, found in [2-Ethics and Conduct](#)) is upheld
- Enforce MGIC's policy of **zero tolerance** for violations of the Code, including zero tolerance for fraud and other fiscal irregularities, undisclosed conflicts of interest, and other illegal and unethical behavior and misconduct
- Keep the office's **Tables of Authorities** up-to-date and readily available to personnel
- Maintain strong internal controls, with clear **segregation of duties**.
- Implement prescribed **standards** for invoices, recorded transactions, reimbursement, and approvals.
- Collaborate with program managers to **manage project finances**, including setting project budgets, updating expenditure forecasts, and monitoring budget versus actual expenditures.

- **Pay expenses** using the most secure forms of payment and with strong internal controls in place.
- Have an effective process in place for issuing **advance requests** and reconciling (retiring) them in accordance with established timelines.
- Manage **payroll** directly or through a vendor and conduct payroll register reconciliations.
- Manage **procurement** in accordance with stated policies, procedures, and in compliance with applicable rules and regulations
- Use the cost **allocation methodology** to allocate expenses that cannot be associated with one specific project.
- Manage MGIC **bank accounts**, including completion of bank reconciliations and control of authorities and online access.
- Prepare and submit accurate, complete, and timely **financial reports** to UMB,
- Properly file, secure, back up, and retain both hard-copy and digital **financial records**.

Of special note: With day-to-day responsibility for financial compliance, the finance and procurement team members must handle professionally any pressure to deviate from laws, rules, regulations, policies, and procedures applicable to financial operations. The CD/CR must support the DFA and finance and procurement teams in these instances and make it clear that ***it is unacceptable for MGIC personnel to harass, threaten, or otherwise retaliate against finance and procurement personnel (or any other personnel) for ensuring compliance.***

Responsibilities in MGIC offices funded by more than one UMB Funding Unit

MGIC offices may at times implement programs under PAAs funded by more than one UMB Funding Unit, and/or be requested to facilitate international activities by UMB Funding Units when the funding source and nature of support do not warrant a PAA. In such cases, MGIC personnel (hereafter called “personnel”) will find themselves servicing multiple UMB “clients” with varying award requirements, program budgets, internal management processes, and expectations of MGIC. At an institutional level the MGIC Board of Directors is responsible to ensure effective coordination and coherence in how UMB’s schools engage MGIC and may be called upon to broker or resolve differences that increase organizational risk. At an operational level, the CD or CR is responsible to uphold MGIC policies and procedures while maintaining effective partnerships with the relevant UMB leads of each program in the office’s award portfolio. This responsibility calls for exceptional relationship management, negotiation, and problem-solving, and organizational administration skills to ensure UMB’s programs, financial resources, and sponsor awards are managed at consistently high standards and in compliance with diverse funder requirements.

When necessary to facilitate sound oversight and efficient decision-making when more than one Funding Unit is implementing programs through the same MGIC office, the MGIC President will designate a UMB employee to fill the roles of UMB Department Administrator and UMB Department Operations Lead for purposes of fulfilling the responsibilities described in these policies and procedures. The MGIC President will also designate a UMB employee to directly supervise the CD or CR in the case of multiple UMB Funding Units implementing programs through the same office.

MGIC offices with diverse program portfolios must establish internal procedures for communicating with multiple UMB Funding Unit leads, making administrative and operational decisions that impact multiple program budgets and sponsor award requirements, and obtaining and documenting approvals from multiple UMB authorities. Importantly, MGIC must document and apply fair and reasonable cost allocation methodologies that assign shared costs to each project in proportion to the benefit received and must carefully manage accounting and reporting to ensure allowability. The

CD/CR or equivalent leadership position is fully accountable for the MGIC office processes and procedures that ensure compliance with this policy.

Exceptions and exceptions request process

In the course of operations, a situation or scenario may arise that does not fall within the standards prescribed in MGIC Policies and Procedures. The office may suggest it is in the best interest of MGIC and UMB to deviate from MGIC Policies and Procedures by submitting a [Policy Exception Request Form](#) for UMB approval. The steps for obtaining an exception request are as follows:

1. The country director (CD) or country representative (CR), or director of finance and administration or equivalent position (DFA), submits to the UMB department administrator a completed [Policy Exception Request Form](#) in which they explain the proposed exception, why it is warranted, and what compensating controls the country office will implement. Attachments are provided where helpful for making a determination.
2. The UMB department administrator processes the exception request and seeks the appropriate authorized signature on the [Policy Exception Request Form](#) with an indication as to whether the exception was approved or denied.
3. The UMB department administrator communicates the results of the exception request to MGIC requestors and UMB Funding Units.

Of special note:

- MGIC should not deviate from MGIC Policies or Procedures without an approved exception request.
- It is the MGIC's office's responsibility to submit requests in advance to allow sufficient time for the approval process.
- The [Policy Exception Request Form](#) may not be used for after-the-fact approval.
- The office is required to retain copies of exception requests and, when appropriate, attach the approved request as supporting documentation for specific transactions.

Checklist for CDs/CRs

A tool for managing policy implementation and conducting compliance monitoring

- ☐ Ensure the leadership team understands financial management and reporting obligations to both UMB and sponsors, including required financial reporting to UMB
- ☐ Make it clear that deviations from MGIC Policies and Procedures require prior UMB approval
- ☐ If seeking a policy exception, submit to the UMB department administrator a completed [Policy Exception Request Form](#) in which the office explains why the exception is warranted
- ☐ Ensure the finance team closely follows core responsibilities, with emphasis on zero tolerance for violations of the [MGIC Code of Ethics and Professional Conduct](#), strong internal controls, and submission to head office of accurate, complete, and timely financial reports
- ☐ Support finance and procurement personnel in handling any pressure to deviate from these Policies, and foster a work environment in which harassment, threats, and retaliation are not tolerated

Checklists for CDs/CRs

In this Financial Affairs section, most of the items in the checklists are DFA job responsibilities. However, the CD/CR is ultimately accountable.

Key references

- [MGIC Forms Library](#)
- [Policy Exception Request Form](#)
- [2-Ethics and Conduct](#)
- [3-Administration and Operations](#)
- [3-6 Insurance](#)
- [3-7 Property Management](#)
- [3-8 Travel](#)
- [3-9 Vehicle Use and Fleet Management](#)
- [3-11 Confidentiality and Data Security](#)
- [3-12 Record Retention and Access](#)
- [5-4 Signature Authorities](#)
- [Ethics Hotline \(https://www.umaryland.edu/mgic/ethics-hotline/\)](https://www.umaryland.edu/mgic/ethics-hotline/)
- [USG Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards](#) (Uniform Guidance – 2 CFR 200)

General Financial Policies

5-2 Conduct and Responsibility

Policy statement

Personnel are called upon to develop and maintain the highest standards of integrity and professionalism in conducting MGIC and UMB business. Personnel subject to the [MGIC Code of Ethics and Professional Conduct](#) include staff, faculty, fellows, students, interns, and volunteers. In fulfilling the responsibilities of their positions at MGIC, personnel are expected to adhere to and act in accordance with the Code and all laws, rules, regulations, policies, and procedures applicable to their MGIC and UMB activities.

All personnel are required to abide by the MGIC Conflict of Interest Policy in all their dealings with sponsors, suppliers, vendors, consultants, and other MGIC and UMB contacts. No MGIC or UMB information, position, or property may be used for improper personal gain or benefit, and no MGIC or UMB personnel may compete with MGIC directly or indirectly. See [2-3 MGIC Conflict of Interest Policy](#) for details.

Specifically, as relates to financial management, MGIC requires the following:

- No monies or assets will be used directly or indirectly for unlawful or improper purposes, or for the personal benefit of any personnel.
- Financial data will be accurate, complete, timely, and prepared in accordance with the requirements of UMB, MGIC, the sponsor, and the financial reporting laws of the host country.
- No unauthorized, undisclosed, or unrecorded accounts or funds will be established or maintained for any purpose.
- No contributions will be made directly or indirectly for any political purposes.

- No payments or contracts will be solicited or received directly or indirectly by any personnel or their family member from a vendor or subrecipient organization.
- No payments, gratuities, or gifts will be made, directly or indirectly, to any official or employee of any government or government agency – with the exception of authorized payments related to individuals’ participation in MGIC-sponsored training events and certain authorized business meals (see [3-8 Travel](#)).
- Any potential or existing conflict of interest will be reported to a manager, through the [Ethics Hotline](#), and/or through submission of a [Conflict of Interest Disclosure](#); this includes when a staff member’s family member works for a proposed supplier, or when a staff member receives a gift valued at US\$20 or higher from a business-related party, such as a supplier or potential supplier, government official, or representative of a partner organization.
- All payments to agents, brokers, and vendors for the purchase of goods and services will be appropriate to the services performed and will not exceed the normal rate for transactions of a similar nature and size in the particular location.

Who is a “Family Member”

Family members include but are not limited to: spouses, domestic partners, parents, siblings, biological and adopted children, grandparents, grandchildren, aunts and uncles and their children (first cousins), nieces and nephews, parents-in-law, sons- and daughters-in-law, and brothers- and sisters-in-law.

Furthermore, regarding bank accounts, loans, and advances:

- Only the MGIC Board of Directors in the United States can authorize the establishment of bank accounts in the name of MGIC.
- No employee may borrow money from a lending institution or individual in MGIC’s name.
- Personal loans or salary advances are prohibited except in highly unusual circumstances and with written approval from UMB (see [5-13 Advances](#)).
- MGIC may not issue any fund transfer to a subrecipient organization. As defined throughout MGIC policies and procedures and as applied in the MGIC context, a subrecipient organization is a legal entity that receives a subaward from UMB, to carry out activities funded by UMB’s award from a sponsor. Subawards are only issued from UMB.
- With the approval of the MGIC VP – Policy & Administration, MGIC may transfer UMB lightly restricted or unrestricted funds to a Recipient, under the terms of an internal Funding Agreement or other equivalent partnership instrument that is not funded through a sponsor award.

Personnel are **required to report** any reasonably suspected or confirmed violations of these standards. A manager who receives a report of a violation of the Code is responsible for notifying MGIC leadership of the reported violation and/or submitting information on the reported violation through the [Ethics Hotline](#).

MGIC has a zero-tolerance policy for violations of the Code and will not tolerate fraud and other fiscal irregularities, undisclosed conflicts of interest, and other illegal and unethical behavior and misconduct. Anyone found to be engaging in any type of improper, unethical, or illegal behavior, violating the Code, retaliating against a whistleblower, or violating MGIC Policies and Procedures shall be subject to disciplinary action, up to and including termination of employment, as appropriate.

Definition of “whistleblower”

A whistleblower is a person making a report about fiscal irregularities, illegal activity, and serious violations of policy. Whistleblowers have special protection against retaliation.

Violations that are criminal offenses may be referred for legal prosecution.

See [2-2 MGIC Code of Ethics and Professional Conduct](#) for details, including specific information on the anti-bribery provisions of the [U.S. Foreign Corrupt Practices Act](#) (FCPA).

Procedures

Disclosure: Personnel should disclose any known or potential conflict of interest to a manager, through the [Ethics Hotline](#), and/or through submission of a [Conflict of Interest Disclosure](#). This includes disclosure of family and romantic relationships in the workplace, personal relationships with applicants for hire by MGIC or UMB, and procurement-related conflicts of interest.

Reporting: All personnel and other parties who interact with MGIC must be vigilant for signs of misconduct and report any known or reasonably suspected fraud, fiscal irregularities, illegal activity, and serious violations of policy, including these policies:

- [2-2 MGIC Code of Ethics and Professional Conduct](#)
- [2-3 MGIC Conflict of Interest Policy](#)
- [2-4 UMB Policies on Conflict of Interest and Research](#)
- [2-5 MGIC Whistleblower Policy](#)

Any suspicions or knowledge of misconduct or wrongdoing should be reported via either a manager or the [Ethics Hotline](#).

- If comfortable, the person may communicate the concern to a supervisor, the CD/CR, or another member of senior management.
- Additionally, the person may report concerns through the [Ethics Hotline](#), which provides a confidential and anonymous reporting mechanism. Not only personnel, but also contractors, vendors, applicants for employment, program and research participants, clients, and other members of the public may use this reporting mechanism.

Notifying UMB without delay: CDs/CRs are responsible for **immediately** notifying UMB of any violation of this Code, including criminal offenses, suspected, or known fraud, sexual misconduct, or other serious offenses that could potentially result in litigation, damage the reputation of MGIC or UMB, or otherwise pose a serious risk to MGIC or UMB. CDs/CRs shall report such situations to the UMB department operations lead and the MGIC President **as soon as the concern comes to their attention**.

Those who fail to make such notifications to UMB may be subject to disciplinary action, up to and including termination of employment, as appropriate.

Non-retaliation and cooperation with investigations: MGIC does not permit retaliation against any person who reports known or suspected unethical behavior, violations of the standards of conduct, discrimination, harassment, or other unlawful behavior. Personnel are expected to cooperate fully with authorized investigations of reports of wrongdoing.

Examples of bribery/corruption

- Bribes to customs officials
- Cash in the guise of “consulting fees” or “commissions” given through intermediaries
- Travel expenses that do not have a clear business purpose

Examples of fraud and fiscal irregularities

- Theft of funds or property
- Improper use of grant funds
- Falsification of documents
- Forgery of signatures
- Accepting kickbacks or bribes

Backdating of documents

Backdating is putting a date prior to what it should be.

MGIC prohibits backdating checks, contracts, or other legally binding documents.

See [2-Ethics and Conduct](#) for the detailed policies and procedures.

Checklist for CDs/CRs

- ☐ Foster a work environment where illegal and unethical behavior, harassment of any kind, and discrimination are not tolerated.
- ☐ Provide all personnel with a copy of the [MGIC Code of Ethics and Professional Conduct](#) and the [2-3 MGIC Conflict of Interest Policy](#) upon hire and whenever the Code or policy is updated.
- ☐ Ensure personnel involved in financial management and procurement understand what constitutes a perceived or real conflict of interest.
- ☐ Encourage reporting of any suspected or known fiscal irregularities, illegal activity such as fraud, and other violations of policy.
- ☐ Notify UMB of any violation of the [MGIC Code of Ethics and Professional Conduct](#), including suspected or known fraud, kickbacks, bribery, or corruption.
- ☐ Reinforce with personnel their understanding of when and how to use the [Ethics Hotline](#).

Key references

- [Conflict of Interest Disclosure](#)
- [2-Ethics and Conduct](#)
- [2-2 MGIC Code of Ethics and Professional Conduct](#)
- [2-3 MGIC Conflict of Interest Policy](#)
- [2-4 UMB Policies on Conflict of Interest and Research](#)
- [2-5 MGIC Whistleblower Policy](#)
- [3-8 Travel](#)
- [5-13 Advances](#)
- [Ethics Hotline](#)
- [U.S. Foreign Corrupt Practices Act](#)

5-3 Internal Controls

Policy statement

Internal accounting controls are intended to safeguard the organization's assets, ensure reliable financial reporting, maintain compliance with applicable rules and regulations, and enhance operational efficiency and effectiveness. MGIC offices must establish and maintain strong internal controls to ensure that physical and financial assets are protected from fraud, loss, and errors.

- With respect to payments, this requires effective segregation of duties and bank account controls, giving preference to electronic forms of payment, and safeguarding cash and checks (see [5-11 Bank Accounts](#) and [5-12 Payment of Expenses](#)).
- With respect to legally binding agreements, only authorized persons may execute MGIC contracts and agreements, and only legitimate and appropriate contracts/agreements may be executed (see [5-15 Procurement](#)).
- With respect to physical assets, this requires taking appropriate and responsible custodial care to protect assets (see [3-7 Property Management](#)).

Personnel must comply with internal controls and act as good stewards of the resources entrusted to the care of the country office, as part of the [MGIC Code of Ethics and Professional Conduct](#). Violations shall be subject to disciplinary action, up to and including termination of employment.

Procedures

The DFA is responsible for supervising the office's finance team, ensuring that control systems are in place and are working, and ensuring that weaknesses are identified and corrected.

Segregation of duties: An effective internal control structure segregates financial duties. It delegates responsibility for authorizing and recording transactions. It ensures that access to monetary and identified physical assets is limited to select personnel. Each transaction is divided into component tasks and completed by different staff members. This division of labor increases the likelihood of detecting unintentional errors and reduces risk from the misuse of resources.

When an office has few personnel: In a small office, sub-office, or MGIC structure, it may be necessary to consolidate multiple financial roles under a single position, which poses a challenge to segregation of duties. To the extent possible, the person sourcing, approving, or disbursing funds should not validate their own actions. In general, small teams require enhanced oversight by an employee designated as DFA.

Examples of effective segregation of duties

- The person who initiates a purchase requisition should not approve it.
- The person who prepares payments should not approve purchases.
- The person who receives goods should not be responsible for inventory maintenance.
- The person who prepares payroll should not approve it.
- The person who issues petty cash payments should not supervise the cash count.

- Individuals may not approve reimbursements for expenses they personally incurred on behalf of the office. For example, personnel may not approve their own travel expense report or their own petty cash payment.
- CD's/CR's travel expense reports or other requests for reimbursement equal to or more than US\$300 require approval by the CD's/CR's supervisor.
- Payments associated with expatriate and third-country national (TCN) benefits such as a housing allowance must be made in accordance with the terms of the employee agreement. If not in accordance or not addressed in the agreement, the office must seek written approval of the UMB department administrator prior to payment.

Checklist for CDs/CRs

- ☐ Establish and maintain strong internal controls, with clear segregation of duties, especially in financial approval processes
- ☐ In small offices/teams, have the designated DFA provide enhanced oversight to ensure sufficient internal controls
- ☐ Ensure personnel act as good stewards of the resources entrusted to MGIC's care and are acting in accordance with the [MGIC Code of Ethics and Professional Conduct](#) at all times
- ☐ Effectively segregate duties and bank account controls and give preference to electronic forms of payment
- ☐ Ensure all contracts and legally binding agreements are in line with MGIC policy, as well as available budgets, and are only executed by authorized persons within the office or UMB
- ☐ Set an example and ensure that personnel are taking appropriate and responsible custodial care to protect MGIC property ([3-8 Property Management](#))

Key references

- [2-2 MGIC Code of Ethics and Professional Conduct](#)
- [3-7 Property Management](#)
- [5-11 Bank Accounts](#)
- [5-12 Payment of Expenses](#)
- [5-15 Procurement](#)

5-4 Signature Authorities

Policy statement

Any procurement of goods or services using MGIC funds, regardless of the total cost, must be approved by a staff person vested with signature authority. The total value of the procurement must fall within the signature authority of the staff approving the purchase requisition (PR).

Tables of Authorities: The DFA must maintain Tables of Authorities for finance-related authorities and operations-related authorities. The tables delineate the decision-making and signature permissions of key personnel and show how the financial and administrative duties are segregated in that office. It specifies primary and, where applicable, secondary approvers, as well as who approves in the absence of the person holding the signature authority. New or revised tables of authorities require written approval by the CD/CR, DFA, UMB department administrator, and MGIC President prior to their implementation.

Contract authorities: MGIC offices have the authority to enter into some types of contracts and legally binding agreements but not others, as outlined below.

- Personnel **are authorized** to execute procurement agreements with a value less than US\$5,000, in compliance with MGIC procurement levels. See [CO procurement approvals – levels and delegation of authority](#) in 5-15 Procurement.
- CDs/CRs may request **delegated signature authority** from the MGIC President to execute certain UMB-approved contracts or agreements. This delegation is typically for procurement agreements, including independent contractor agreements, with a value that exceeds an established threshold. See the [Delegation of Signatory Authority Form](#).
- The MGIC legal representative **is authorized** to execute employment agreements only for personnel who are local employees; all other employment agreements are signed by the MGIC President.
- Personnel **are not authorized** to execute banking services agreements; consulting agreements valued at or above US\$5,000; contracts for audit and legal services; contracts for the lease, purchase, or new construction of real estate; or any other agreement requiring UMB approval. In certain cases, an authorized signing officer of MGIC may **delegate** to the CD the signature authority for such contracts consistent with MGIC policies.
- Personnel **are authorized** to execute agreements concerning program activities and support, if the type of agreement is not included in the aforementioned list for which personnel do not hold the authority.

These authorities apply not only to original contracts/agreements, but also to amendments and modifications to those contracts/agreements. See details in [Procurement agreement review, including renewals](#) in 5-15 Procurement.

Delegations of authority: The CD/CR and DFA are responsible for managing and monitoring delegations of authority within the office for both routine operations and for absences during which time another employee will act in the stead of the absent manager. This responsibility includes documenting the delegations clearly and transparently, and monitoring and revising them as necessary over time.

Developing and amending the Tables of Authorities

The [Table of Finance-Related Authorities](#) and [Table of Operations-Related Authorities](#) provide templates for use by the MGIC office. The DFA should work closely with the UMB department administrator when creating these tables and whenever preparing to update them, bringing in the UMB department operations lead as appropriate.

The DFA should ensure that any personnel or management changes that affect authorities are promptly reflected in an amended Table of Authorities. Aside from those updates, the DFA should review the Tables of Authorities on at least an annual basis.

Knowledge of and accessibility to the Tables of Authorities

New personnel assuming positions in management, finance, or procurement should receive an orientation to contract authorities and the Tables of Authorities. See [4-9 Orientation](#) for MGIC's requirements for the orientation process.

The Tables of Authorities should be stored in a location that is transparent and readily accessible to all MGIC personnel and relevant UMB Funding Unit personnel. When revised, the amended Tables of Authorities should be widely communicated to appropriate personnel.

Temporary authorities, when acting in another's stead

Prior to taking personal leave or traveling, a manager should communicate with all relevant staff (1) who will provide approvals in their stead and (2) who will fulfill their responsibilities during their absence. The same person could, but does not necessarily, assume both functions.

The communication should be shared in written form and explicitly delegate authority during the manager's absence. An example of this type of communication is provided in the box.

"Out of the Office" Message Delegating Authorities Temporarily

Subject: My absence June 12-18

This is to inform you that I will be out of the office from June 12-18 while attending the HIV/AIDS Global Conference in Pretoria, followed by two days of vacation. In my absence, Person1 will be acting in my stead and will assume all signatory authorities that I hold. In addition, Person2 will take the lead on the Research1 initiative and will convene a meeting shortly.

Please [do not] copy me on relevant communication during my absence.

Thank you,
[Name]

If signature authority is delegated in accordance with the current, approved Tables of Authorities, no further documentation is required. However, if signature authority is delegated to someone other than the delegatee and back-up(s) stated in the Tables of Authorities, the finance team must retain documentation of the delegation on file. Prior consultation with the UMB department administrator is appropriate in the latter case.

Requesting delegation of signature authority

Where signature authority resides in UMB, the MGIC President may, in certain circumstances, delegate signature authority to a specified member of MGIC leadership. This delegation is typically for procurement agreements in excess of an established threshold.

The MGIC office may request delegated signature authority from the MGIC President through submission of a completed [Delegation of Signatory Authority Form](#) in which the scope and timeframe of the delegation is specified. The request should go to the UMB department administrator for processing. Once the office receives written authorization from the MGIC President, the employee may sign contracts and agreements in accordance with the terms of the delegated signature authority.

Checklist for CDs/CRs

- ☐ Ensure all purchases are approved by personnel with the appropriate level of authority
- ☐ Seek delegated signatory authority from the MGIC President prior to executing contracts or agreements in excess of established thresholds
- ☐ Seek UMB approval for any banking services agreements; consulting agreements valued at or above US\$5,000; contracts for audit and legal services; contracts for the lease, purchase, or new construction of real estate; or any other agreement requiring UMB approval.
- ☐ Keep the Tables of Authorities up-to-date, consulting the UMB department administrator prior to proposing changes and seeking UMB approval for the revisions
- ☐ Make the latest version of the Tables of Authorities readily available to all personnel whose duties require referencing the information provided therein
- ☐ Ensure that prior to taking personal leave or traveling, managers send a written communication regarding their delegated authorities
- ☐ Submit requests for delegated signature authority to the MGIC President using the [Delegation of Signatory Authority Form](#)

Key references

- [Delegation of Signatory Authority Form](#)
- [Table of Finance-Related Authorities](#)
- [Table of Operations-Related Authorities](#)
- [4-9 Orientation](#)
- [5-15 Procurement](#)

5-5 Audits and Internal Reviews

Policy statement for internal audits and financial reviews

In the course of regular business activity or when concerns arise, MGIC offices may be subject to an internal audit or financial review, including financial review by MGIC or some entity within the University System of Maryland or UMB itself.

UMB will notify the MGIC offices of upcoming financial reviews or internal audits and provide guidance on the preparations that should be made.

Policy statement for external audits

An external audit may take place when required by in-country financial reporting laws, typically referred to as an annual statutory audit. These audits of an office are performed by a third party, usually a local accounting firm. MGIC offices are responsible for procuring the statutory audits as required for MGIC operations in that country.

Other external audits, typically involving program audits or business system reviews, may be required by the terms of an award or at the request of sponsors or other parties.

In all cases, **prior to contracting for an external audit by a third party, the office must consult with the UMB department administrator about scheduling and obtain UMB approval**, even in the case of a routine annual statutory audit. The engagement letters with the auditors are signed by the MGIC President.

MGIC offices are responsible for managing external audits in conjunction with or following the lead of the UMB department administrator. Audit responses and financial statements are considered “final” only after UMB review has been completed and the MGIC Board of Directors has voted to accept the final products.

Should an external audit by a third party first come to the attention of the office, the CD/CR is responsible for notifying the MGIC VP – Policy & Administration, UMB department program lead, and UMB department administrator immediately.

Procedures

Scope of the audit: If not already received, the CD/CR should request that the auditors provide written parameters, i.e., a detailed explanation of the visit’s purpose, the agency’s contact person, a list of records to be reviewed, sites to be visited, and the financial period under audit. The scope of audit should include both an entrance and exit meeting to be held with the CD/CR and DFA and, if it can be arranged, the UMB department administrator.

If the auditors need to expand the scope of the audit, the CD/CR should request that they submit the expanded scope and justification in writing.

Planning for and during the audit: MGIC office leadership, accounting staff, and the managers of field sub-offices to be visited by the auditor need to make plans to be available during the audit, which generally takes two to three weeks to complete. Moreover, availability of UMB personnel may be important. For this reason, the UMB department administrator should be consulted well in

advance regarding the timing of the audit. Furthermore, the UMB department administrator should be invited to the entrance meeting during which the audit objectives and schedule will be reviewed.

MGIC office leadership has a professional obligation to ensure that auditors report valid findings. Both the CD/CR and DFA should personally engage in the audit process, including the entrance meeting, audit report, and exit meeting.

Exit meeting: When the auditors' fieldwork is completed, an exit meeting should take place between the auditors and MGIC management, including, at a minimum, the CD/CR and DFA. The UMB department administrator should be invited to attend. An important objective of this exit conference is to reach agreement on validated findings and discuss the corrective action plan. Any remaining open items should be identified during the meeting and agreement reached as to how each item will be resolved.

- If an audit report is received in the country office, the CD/CR should immediately share it in its entirety with the MGIC VP – Policy & Administration, UMB department program lead, and UMB department administrator. This includes preliminary and final reports and management letters.

Audit response: For external audits initiated by a party in-country, the CD/CR takes the lead on the audit response and consults closely with the UMB department administrator.

External audits where the UMB department takes the lead: In the case of other external audits, the UMB department takes the lead and works closely with MGIC at each step of the process, including developing an appropriate response to any audit findings.

Corrective action: The MGIC office is responsible for implementing corrective actions applicable to field operations **within six months** of the conclusion of the audit process. The UMB department is responsible for reviewing and testing to ensure MGIC has implemented sufficient corrective actions.

MGIC offices should use a matrix or other mechanism to track implementation of the corrective actions. The CD/CR and DFA are responsible for monitoring the situation until all such actions have been completed.

Adjusted journal entries (AJEs) and financial statements: AJEs proposed by the auditors should be reviewed and approved by the UMB department administrator. Only at that point may they be passed into the financial system.

Checklist for CDs/CRs

- ☐ Immediately notify the MGIC VP – Policy & Administration and UMB department administrator upon learning of an external audit request
- ☐ Collaborate closely with the UMB department administrator on scheduling the timing of and preparing for internal and external financial reviews and audits
- ☐ Obtain UMB approval prior to contracting for an external audit by a third party, even in the case of a routine annual audit
- ☐ Engage the UMB department administrator in the entrance and exit meetings and in approving corrective actions, AJEs, and financial statements
- ☐ Immediately share with the UMB department administrator any audit report received in the country office

- ☐ Have MGIC office leadership engage fully in the audit process, from reviewing the proposed scope and parameters of the audit through the concluding exit meeting and holding personnel accountable for implementing corrective actions in a timely manner

5-6 Payment Authorization Agreements and Budgets

Policy statement for Payment Authorization Agreements

The Payment Authorization Agreement (PAA) is a cost-reimbursement agreement that allows the transfer of funds from UMB to MGIC for direct implementation of sponsored and some lightly restricted funded projects. It specifies rules for how the funds are received, spent, and reported. It provides the statement of work and budget.

The UMB department administrator sends the MGIC office a separate PAA for each UMB award that includes funding for direct program implementation through MGIC. PAAs may also be issued when a UMB Funding Unit provides MGIC with funding in the form of UMB lightly restricted funds, in order to implement a substantial scope of work outside the U.S.

Agreement modifications:

- Any change to key personnel requires the UMB department program lead's approval.
- Any change to the statement of work, the term (period) of the PAA, or the budget requires a modification to the PAA, which the UMB Funding Unit will effect in compliance with sponsor requirements, as applicable. For example, in the case of an award cost extension, UMB will amend the PAA to reflect the longer budget period and the larger amount of funding awarded through the PAA.

Sponsor regulations: CDs/CRs are responsible for ensuring that MGIC complies with sponsor rules and regulations associated with PAAs and which may be found in the agreements for the sponsored projects. USG-sponsored awards are governed by the provisions of the [USG Uniform Guidance](#), and potentially other USG regulations. See [6-Award and Subaward Management](#) for details.

Monthly financial reporting: Under the PAA, MGIC must provide UMB with a monthly accounting of the expenditures incurred under the line items of the PAA budget and include documentation and records to support the expenditures. All expenses must be allowable under the PAA. See [5-16 Financial Reporting to UMB](#) and [Allowable versus unallowable costs](#) in 5-7 Financial Management Systems and Processes for details.

Policy statement for other funding mechanisms

While the PAA is used by UMB to assign substantial program implementation duties and funding to MGIC under sponsor awards and some lightly restricted awards, UMB may also engage MGIC on a punctual, task-specific basis without the use of a PAA. For example, a UMB Funding Unit may request MGIC USA to process a payment to an international vendor, procure goods or services, or execute an employment contract for a non-US based personnel, for a project funded by UMB lightly restricted funds. See [Section 1-1 Use of the MGIC USA Mechanism](#).

In such cases a PAA is typically not necessary, due to the limited duration and small scale of MGIC USA's support to the UMB project. These situations are not considered "awards" to MGIC in terms of Award Management policies and procedures. However, MGIC's Financial Affairs policies and procedures apply to all funding sources, purposes, and mechanisms.

Any adaptations and exceptions to MGIC policies that may be warranted in these ad hoc support situations, for business efficiency or good stewardship of UMB resources, must be approved by the MGIC President or designated UMB authority as described throughout Section 5-Financial Affairs, and other relevant sections of the MGIC policies and procedures.

Policy statement for MGIC budgets

MGIC offices receive revenue that is primarily obtained by UMB from the U.S. government via funding agreements in the form of cooperative agreements, grants, and contracts (see [6-Award and Subaward Management](#)). These USG funds constitute the majority of MGIC budgets presently; however, UMB's strategic goal of Global Engagement and Education envisions the broadening of MGIC as a mechanism to support all UMB Funding Units implementing international activity, regardless of funding source.

MGIC offices may also have a budget earmark of UMB **lightly restricted funds**, for which the UMB Funding Unit will provide guidance on its use. These funds are allocated on the UMB fiscal year cycle.

The DFA is responsible for setting up a **budget management process** that is based on a collaboration among the CD/CR, DFA, and program managers. The elements of that process shall include, but not be limited to financial planning, updating expenditure forecasts based on updates to program work plans, and monitoring budget versus actual expenditure to ensure that budgets are not overspent or significantly underspent. (See [5-10 Expenditure Forecasts and the Remote Imprest Fund](#).)

What are "UMB lightly restricted funds"?

UMB funds (vs. award funds) that are provided to MGIC with some spending restrictions indicated, sometimes referred to as "discretionary funds."

The UMB and MGIC financial, or fiscal, year is July 1-June 30. The start and end dates of awards received from sponsors are set by the sponsor and not associated with the UMB fiscal year.

Checklist for CDs/CRs

- ☐ Adhere to the terms of the PAAs and other funding mechanisms used by UMB to transfer funds and scopes of work to MGIC
- ☐ Seek UMB approval for any change to a statement of work, key personnel, term (period) of the PAA, or budget
- ☐ Ensure that MGIC internal controls and financial systems support compliance with the [USG Uniform Guidance](#) and/or any other applicable sponsor regulations that govern the projects under implementation, and compliance with MGIC policies and procedures regardless of funding source or mechanism
- ☐ Closely oversee and manage budgets, and ensure expenditure forecasts are adjusted as needed

Key references

- [5-7 Financial Management Systems and Processes](#)
- [5-10 Expenditure Forecasts and the Remote Imprest Fund](#)
- [5-16 Financial Reporting to UMB](#)
- [6-Award and Subaward Management](#)
- [USG Uniform Guidance](#)

Financial Management Systems and Processes

5-7 Financial Management Systems and Processes

Policy statement

Accounting software: MGIC's offices must use MGIC's preferred accounting software for all accounting needs and comply with its workflow and other requirements, from recording transactions through generating balance sheets and other financial reports and statements. Access to the accounting software must be restricted to employees with financial management duties and those program managers who make budgeting decisions.

The DFA, as the administrator of the accounting software, has certain privileges associated with system administration that no other personnel may have. The person has the ability to:

- Assign, change, or revoke user profiles, subject to prior approval from the UMB department administrator
- Make changes to the Chart of Accounts within the restrictions covered in the next paragraph and subject to the UMB department administrator's approval
- Close the books at month's end

Basis for Accounting: MGIC uses the Modified Cash Basis of accounting (a combination of the cash and accrual bases) for annual reporting and preparation of financial statements. The cash basis of accounting is used to record transactions, excluding staff advances which are expensed upon retirement, with year-end accrual adjustments for prepayments and liabilities.

Treatment of Fixed Assets: Fixed assets purchased are expensed in the financial statements: MGIC earns no income or economic benefit from the assets, and ownership transfers at the end of the award.

Chart of Accounts: The Chart of Accounts (COA) contains the income and expense accounts required by UMB. MGIC offices may add new numbered accounts to the COA only with the express permission of the UMB department administrator. The DFA may, if desired, add *subaccounts* to the numbered expense accounts in order to segregate costs under a single account.

Similarly, the UMB department administrator will inform offices when UMB makes COA changes that affect MGIC.

Confidentiality and data security: MGIC offices must protect the confidentiality of salary information, payroll documents, certain vendor information, and other data subject to special protection. See [3-11 Confidentiality and Data Security](#) for more information.

Standards for invoices

Vendors are required to submit an itemized invoice before payment may be approved and processed. The MGIC requirements for invoices are as follows:

- Vendors' invoices should be submitted to the finance team, not the procurement lead, and should be time- and date-stamped when received.

Backdating of documents

MGIC prohibits backdating checks, contracts, or other legally binding documents.

- Invoices should be reviewed to see that they are complete and conform to the terms and conditions of the procurement agreement. If they do not conform, the vendor should be contacted for a revised invoice.
 - Provided invoices are accurate, the designated member of the finance team enters them into the accounting software and ensures required approvals are received before payment is made.
 - Invoices on which the total is greater than the amount on the procurement agreement shall not be honored. The staff member dealing with the vendor must contact the vendor to resolve the difference before any payments may be made. A change order may be required (see [Change orders](#) in 5-15 Procurement).
- It is not permitted to break up invoices to keep the amount below a certain procurement threshold.
- These standards apply to invoices associated with all types of procurement agreements, including service contracts, purchase orders (POs) with terms and conditions, purchase framework agreements (PFAs) with terms and conditions, construction and refitting contracts, and agreements with independent contractors (consultants).

Requirements for the invoice document

- All invoices must be original or copies that have been certified as originals.
- Invoices must include:
 - The company's name, address, contact information
 - The country office's name and address
 - Date of the invoice
 - Contract number, PO number, or another unique identifier
 - Clear description of goods and services provided
 - Date goods and services were provided
 - Amount being charged, including taxes
- A statement is not the same as an invoice, and a payment may not be issued against a statement.

Standards for recorded transactions

Recorded financial transactions utilize the modified cash basis of accounting. Recorded transactions must be complete, valid, accurate, final, and supported by original source documentation:

- **Complete:** Each payment must be supported by documentation showing a final cost (not an estimate). See the [Transaction Documentation Checklist](#) for a tool to assist with this.
- **Valid:** A payment is valid if it is made to a verifiable vendor for an allowable expense, and if the documentation exists to show that the goods or services paid for were actually received.
- **Accurate:** The record of a transaction must show the exact value and be charged against the appropriate award/project.
- **Final:** An original transaction and its supporting documentation must not be altered in any way, e.g., the date on an invoice may not be modified by MGIC.
- **Supported by original source documentation:** Supporting documentation for any transaction must include, at a minimum, management approval, proof of relevance to the award/project, evidence that the goods or services purchased were received, and proof of payment.

Standards for reimbursements

Reimbursement in the case of a business expense must be supported by a receipt, invoice, packing list, or online order form, except in the case of expenses made with the meals and incidental expenses (M&IE) allowance (see [3-8 Travel](#)).

In circumstances where receipts are not provided, personnel should present vendors with a [Receipt Voucher](#) and ask them to complete it as substitute documentation.

If receipts or other supporting document have been lost, damaged, destroyed, or unobtainable, reimbursement is allowed only in extenuating circumstances. In such cases, MGIC personnel seeking reimbursement must complete a [Lost or Missing Receipt Form](#) and sign to certify that they have made every attempt to obtain a copy of the document or duplicate from the vendor or service provider. The supervisor or other relevant manager signs to affirm the business purpose of the expenditure and approve the reimbursement.

What is required in a proof of payment?

- Name of vendor
- Description of a business transaction (detailed or itemized description of goods or services purchased)
- Date of the transaction
- A specific amount of money
- The form of payment, demonstrating payment was completed

Submission of fake receipts constitutes a violation of the [MGIC Code of Ethics and Professional Conduct](#) and those who submit them shall be subject to disciplinary action, up to and including termination of employment, as appropriate.

[Allowable versus unallowable costs](#)

A primary responsibility of the CD/CR and DFA is to ensure that all charges to sponsored funding are allowable, reasonable, and allocable and within the budget period of performance. In the case of USG funding, charges must comply with the [USG Uniform Guidance](#).

- A cost is considered **allowable** if it is necessary and reasonable for the intended use and allocable to that award.
- A cost is **reasonable** if it is of a type generally recognized as ordinary and necessary for the operation of the institution or the proper and efficient performance of the award.
- A cost is **allocable** if the goods or services involved are chargeable or assignable to that award.

By contrast, an unallowable cost fails to meet all the above criteria. Examples of unallowable costs under [USG Uniform Guidance](#) include, but are not limited to:

- Alcoholic beverages
 - Bad debts
 - Employees' personal expenses
 - Entertainment (includes amusement, diversion, and social activities such as retirement and promotion parties and celebrations)
 - Fines and penalties
 - Fundraising and investment management
 - Gifts and flowers (include birthday gifts, holiday gifts, farewell gifts)
 - Interest on loans
 - Lobbying
 - Time spent on proposal development
- If an MGIC office would like to incur an expenditure that the U.S. government or other sponsor prohibits or does not allow charging to an award, such as first-class air travel, the office should

consult with the UMB department administrator **prior to proceeding**, to identify a funding source to which that expenditure may be charged.

- If an office inadvertently charges an unallowable cost to an award, the expense must be reclassified to another funding source.

Pre-award costs

Occasionally, UMB obtains authorization from the sponsor to incur and charge “pre-award costs” against an award. Pre-award costs are those incurred prior to the execution of an award when UMB has received a pre-award letter from the sponsor. In such cases, UMB may inform the MGIC office that they are authorized to proceed with expending project funds prior to official notification of award.

As with all costs, pre-award costs must be allowable under the award and must be incurred within the specified budget period.

Cost share and in-kind contributions

A sponsor may require that UMB enter into a **cost sharing commitment** for a particular award. Cost share, sometimes referred to as “matching funds,” is the portion of total project costs that are not provided by the sponsor and will not be reimbursed from the award. These costs may be direct or indirect expenditures that UMB incurs or in-kind contributions that are mobilized for the project.

UMB policy requires University approval of any cost share proposed in a UMB application for funding. Other requirements are:

- Cost sharing or match may only be included in a proposal when required by the sponsors.
- The total amount of cost sharing may not exceed the minimum amount required by the sponsors.
- Costs indicated as cost sharing in a proposal must be verifiable from UMB’s records in the event of an audit.
- If a portion of a salary is presented as a cost share, the corresponding fringe benefits must also be included.
- Costs that will be reported toward the cost sharing commitment must be incurred during the budget period of performance, must be tracked separately with a unique class (chart string), and must be fully documented, as these are auditable costs.
- If the cost share includes cost sharing committed by project partners, partners must provide documentation showing the cost share used for the project.

In-kind contributions may count toward fulfilling UMB’s cost share commitments. Documentation requirements are as follows:

- For in-kind contributions **from external (third-party) sources**, supporting documentation provides the name of the company/individual providing the free or discounted service or material, description of the service or material, and fair value of the contribution.
- For in-kind contributions given **to another entity in the form of donations of MGIC’s physical property** (equipment, supplies, materials, and other assets), a [Certificate of Donation](#) is completed and signed by the CD/CR and by an official of the recipient entity (see [Property transfers and disposition](#) in 3-7 Property Management).

See [6-2 Award Management](#) for information on handling and tracking **program income** (income directly generated by a project or earned as a result of a project) and **leverage** (third-party resources leveraged for and applied to a project).

Standards for approving transactions

Personnel with the authority to approve a financial transaction are responsible for ensuring, prior to approving, that:

- The transaction is allowable, reasonable, and allocable to the funding source to be charged.
- The transaction has occurred within the specified budget period.
- The supporting documentation is complete.
- MGIC, identified by the applicable office's address, is named as the customer/client on the procurement agreement.
- The transaction is coded to the correct expense account.

A signatory approval – whether provided manually or electronically – must include the approver's printed name, title, full signature (not initials), and date of signing. If approval is provided electronically, that electronic communication must be attached and the words "see e-approval" indicated on the line where otherwise a manual signature would appear.

Correcting entries (journal entries)

If a transaction entered into the accounting software needs to be corrected or reversed for any reason, the finance team may fix the transaction as long as the books for that month are still open. However, if the books for that month have been closed, the finance team makes a correcting journal entry in a subsequent month. Changes **must not** be made to original entries in previous, closed months. The steps for making a journal entry are:

- A member of the finance team prepares a [Journal Entry Form](#) that includes a clear reason (justification) for the transfer, reviews it for completeness and reasonableness, and submits the form and supporting documentation for approval. The supporting documentation includes, at a minimum, a copy of the ledger showing the original posting.
- The approver reviews the form and supporting documentation and assesses whether the entry is complete, reasonable, accurate, and appropriate.
- If the documents are in good order, the approver signs the form.
- The entry is posted.
- The journal entry and supporting documentation are included in the monthly financial report's transaction detail submitted to UMB.

Reason for correction
Detail about the error needs to be provided on the Journal Entry Form. "Correction of error" is **not** an acceptable justification.

The office must obtain UMB department administrator **prior written approval** in these situations:

- When the correction requires transferring costs that were incurred more than 90 days prior to the journal entry
- When the correction requires transferring costs more than 90 days after the end date of the award charged for those costs

Checklist for CDs/CRs

- ☐ Ensure appropriate privileges and restrictions are in place to guarantee segregation of duties and confidentiality
- ☐ Ensure confidentiality and data security practices are taken seriously by those with access to sensitive and confidential information
- ☐ Ensure oversight of financial transactions that affirms each transaction is complete, valid, accurate, final, and supported by original source documentation
- ☐ Ensure that approvers of financial transactions understand that by signing, they are affirming that transaction standards are fully met, including that the transaction is allowable and correctly coded
- ☐ Consult with the UMB department administrator prior to proceeding with a potential expense that is unallowable under award requirements
- ☐ Maintain approval processes that ensure transactions are allowable, reasonable, and allocable, have appropriate documentation, and are correctly charged to project budgets
- ☐ Document cost share and in-kind contributions with all required details, and complete a [Certificate of Donation](#) any time MGIC donates physical property to another entity
- ☐ Obtain UMB department administrator pre-approval to correct accounting journal entries requiring transferring costs that were incurred more than 90 days prior to the journal entry, or costs incurred more than 90 days after the end date of the award charged for those costs

Key references

- [Certificate of Donation](#)
- [Journal Entry Form](#)
- [Lost or Missing Receipt Form](#)
- [Receipt Voucher](#)
- [Transaction Documentation Checklist](#)
- [2-2 MGIC Code of Ethics and Professional Conduct](#)
- [3-7 Property Management](#)
- [3-8 Travel](#)
- [3-11 Confidentiality and Data Security](#)
- [5-15 Procurement](#)
- [6-2 Award Management](#)
- [USG Uniform Guidance](#)

5-8 Retention of Financial Records

Policy statement

MGIC records must be retained and protected **for the longest period required by the sponsor, by UMB, and by applicable government laws**. Each MGIC office must have a written [Record Retention Schedule](#), approved by the UMB department administrator, as well as documented record access requirements and associated written procedures. See [3-12 Record Retention and Access](#) for the full Policy.

Appropriate management of records is critical to proper financial management, as well as to other aspects of operations. The retention period for financial records is calculated from the date of submission of the financial status report or the date of final payment under a contract. If any

litigation, claim, or audit is started before the expiration of the record retention period, the records must be retained until all litigation, claims, or audit findings involving the records have been resolved and final action taken.

Team responsibilities

The finance team is responsible for maintaining the finance and contract files. Key requirements are:

- File together all documents related to a single transaction, so a complete paper trail exists
- Retain complete records of all financial transactions, including banking records
- Back up transactions and other critical financial data on at least a weekly basis, and preferably on a daily basis
- Scan and store all payment documentation
- Keep payroll and other confidential records in separate locked files
- Retain copies of each fully executed legal and contractual document, including amendments and modifications and related correspondence
- Retain hard copies of all unused, returned, and cancelled checks
- Discard, destroy, or otherwise dispose of records whose retention period has expired, except retain any documents associated with an outstanding audit or legal matter
- Follow proper protocol when disposing of documents or media containing proprietary or sensitive data

For example

- Bid tabulations or other bid information are kept with records of the transactions.
- Travel expense reports are accompanied by the approved Travel Authorization Form and, if applicable, the approved Travel Advance Request Form.

See [3-12 Record Retention and Access](#) for full guidance.

Checklist for CDs/CRs

- ☐ Ensure proper record-keeping processes are in place to meet standards of confidentiality and security, financial monitoring obligations, and record retention and disposition requirements
- ☐ Maintain a country-specific record retention schedule that has been reviewed by local legal counsel and approved by the UMB department administrator
- ☐ Retain and protect records for the longest period required by the sponsor, by MGIC and UMB, and by the applicable government laws

Key references

- [Record Retention Schedule](#)
- [3-12 Record Retention and Access](#)

5-9 Cost Allocation

Policy statement

MGIC offices with multiple active income streams for its projects incur some expenses that cannot be assigned fully to the funding source of any specific project/award. These direct-cost expenses

provide support to more than one project and are necessary for program delivery. Some examples include rent for the main office, certain vehicle costs, and salaries of employees who work on multiple projects. **Cost allocation** is the process of distributing these direct costs to the appropriate funding sources in a way that is fair, transparent, consistent, and compliant with applicable sponsor requirements (such as [2 CFR 200.405](#) in the [USG Uniform Guidance](#)) and is based on the needs of each project.

Each MGIC office must allocate expenses that cannot be associated with one specific funding source using a **pre-determined documented allocation methodology** developed in line with this Policy. The objective of that formula, set out in the country office's cost allocation plan (CAP), is to charge expenses to a project based on the benefit that that project receives from the expense incurred.

Procedures

UMB provides a written description of the cost allocation methodology for country offices to use. It describes how to calculate the proportional benefit and the basis for allocation of costs. For example, the cost of vehicle maintenance or fuel may be allocated proportionally based on miles driven for each project, as documented in vehicle logs.

Of high importance is allocation of salaries and fringe benefits, the basis for which are the timesheets that personnel complete with hours worked under each project. See [4-13 Timekeeping and Effort Reporting](#) for details. The distribution of labor costs is then reconciled to the timesheets.

Responsibilities of MGIC globally:

- Develop and update as needed the cost allocation methodology. In countries with MGIC activities funded by more than one UMB Funding Unit, disagreements concerning funding allocations will be resolved by MGIC President.

Responsibilities of the UMB Funding Units:

- Assist MGIC personnel with the implementation of the cost allocation methodology, providing training and support to ensure that the finance team applies the methodology properly and consistently
- On a monthly basis, review and monitor the application of the cost allocation methodology for consistency and raise any concerns with the MGIC office
- Monitor the office's documentation of cost allocations
- Enter transactions into the financial statement

Responsibilities of the DFA:

- Document the basis for all cost allocations in the CAP
- Apply the cost allocation methodology consistently
- Address concerns raised by UMB Funding Units within two weeks of receiving communication of those concerns, and report back to the head office on actions taken

What if the budget is not available or is insufficient?

- MGIC **may not** adjust allocation methodologies and allocations based on the availability of funds.
- DFAs should seek guidance from the UMB department administrator in cases of unavailable or insufficient budget.

What if the # of hours worked exceeds the # of hours budgeted in an award?

Timesheets must present an accurate accounting of hours worked under each award. It is not permitted to adjust the timekeeping records to match the availability of funds.

Checklist for CDs/CRs

- ☐ Carefully and consistently allocate MGIC costs that support multiple projects, such as salaries or office rent, using the predetermined cost allocation methodology (CAM)
- ☐ Have under full implementation the office's cost allocation plan (CAP), which documents the basis for cost allocations that the office makes
- ☐ Review and modify the CAP as and when there is a change in the MGIC project portfolio

Key references

- [4-13 Timekeeping and Effort Reporting](#)
- [USG Uniform Guidance](#)

Cash Management

5-10 Expenditure Forecasts and the Remote Imprest Fund

Policy statement

Expenditure forecasting is an important tool that supports management in anticipating cash flow needs and adhering to approved budgets. As part of their monthly financial reporting, MGIC offices that receive funds through PAAs and other funding instruments must submit an update to their [Quarterly Expenditure Projection Form](#) for each project budget (see [5-16 Financial Reporting to UMB](#)).

The PAA between UMB and MGIC establishes a remote imprest fund (RIF) for the MGIC office as a means of transferring operating funds to that office. The RIF may provide money for one project or for multiple projects at the same time.

The RIF is a revolving fund with four months of operating capital. This formula assumes MGIC budgets are spent in a linear manner. However, if the expenditure projection for the upcoming four months exceeds the RIF four-month amount, the DFA may request a one-time increase in the maximum balance of the RIF, based on in-country activities and expenses. The request will be granted by the UMB

department administrator provided that the full budget has not yet been sent to the MGIC office. The next month's RIF replenishment will be adjusted to reflect the prior month's increase.

How does the RIF cycle work in a country office?		
Month 1	Month 2	Month 3
Spend funds from RIF	Report funds spent and request replenishment of RIF	Receive RIF replenishment of funds spent in Month 1

Presently, the MGIC USA office does not receive operating funds from UMB through PAAs or other funding agreements, and therefore does not utilize a RIF. Instead, MGIC USA maintains a US bank account with a cash float, which is used to pre-finance UMB Funding Unit expenses when appropriate as defined in Section 1-1, Use of the MGIC USA Mechanism. A copy of the MGIC USA Quarterly cash flow statement is stored on the IO shared drive. The MGIC USA bank account is then replenished as described below and explained in more detail within IO's Standard Operating Procedures, available at the [Global Hub website](#).

Procedures

An MGIC office with a RIF submits a [Request for Reimbursement of In-Country Expenditures \(RIF Replenishment\)](#) with each monthly financial report. UMB then replenishes the RIF up to the office's maximum balance and based on the office's expenses, as stated in the monthly financial report, and on their projected expenditures.

For MGIC USA, the UMB International Operations (IO) Department prepares cash flow statements and refers to Purchase Requisitions and project planning discussions held to date with UMB Funding Units, IO's own annual budget which contains some MGIC expense projections, and IO's MGIC vendor database to anticipate cash flow needs. Following MGIC USA's pre-authorized payment of an expense on behalf of UMB, IO will issue an invoice to the requesting Funding Unit, which is then typically processed as a Non-PO by UMB or a check from the UMB Foundation or similar external funding source, for replenishment of the MGIC USA bank account, including applicable wire transaction charges levied by the bank.

Replenishments are normally in the form of US dollar (USD) wire transfers from UMB to MGIC USD bank accounts.

Checklist for CDs/CRs

- ☐ Ensure expenditure projections submitted with monthly and/or quarterly financial reports reflect the latest program information and accurately anticipate cash flow needs

Key references

- [Quarterly Expenditure Projection Form](#)
- [Request for Reimbursement of In-Country Expenditures \(RIF Replenishment\)](#)
- [5-16 Financial Reporting to UMB](#)
- [Global Hub Website](#)

5-11 Bank Accounts

Policy statement

Authorities: The authority to open and close a bank account rests solely with the MGIC Board of Directors in the United States. The selection of banks in-country is the sole right and responsibility of the MGIC Board. The Board names the UMB-based bank signatories and the MGIC President approves in-country bank signatories. Any subsequent change to a bank account, such as adding or removing signatories, requires authorization in the same manner.

- It is strictly prohibited for an employee to open a bank account in the name of MGIC, a branch or affiliate office of MGIC, or UMB – or to make subsequent changes to or close a bank account – without the express, written permission of UMB. No one may establish a relationship with a bank that has not been specifically designated by the MGIC Board of Directors.

All accounts must be established in the name of MGIC or one of its affiliates, unless otherwise approved by the MGIC Board of Directors.

Type and number of accounts: Each MGIC office has one USD business transaction account (current or checking account), which is used to access the RIF in accordance with the PAAs with UMB. The MGIC USA office has one USD business transaction account which is used to pay vendors and recipients on behalf of UMB and is replenished through invoices to UMB Funding Units for processing through the State of Maryland or other funding sources. Each MGIC country office outside the U.S. also has one main local currency account.

In general, all funds should transact through the USD account and main local currency account. To keep management of funds segregated, funds should be segregated in the general ledger via the chart of accounts.

Account signatories: Only UMB or MGIC employees may be signatories to an MGIC bank account. Consultants, temporary employees, and employees of any other agency are prohibited from signing checks or otherwise authorizing the release of funds from an MGIC bank account. All electronic funds transfers (e-payments) and checks require at least two authorized signatories to be valid for payment.

Online access: Only UMB or MGIC employees may be designated to have online access to MGIC bank accounts.

Restricted use: MGIC bank accounts set up in accordance with this Policy must contain only MGIC funds and must not be used for other deposits. Personal use of MGIC bank accounts is strictly prohibited.

Establishing, changing, and closing bank accounts

The initial points of contact for UMB consultations and actions associated with opening, closing, and changing bank accounts are the International Operations (IO) Department's Manager for International Finance & Procurement, and the UMB Funding Unit's department administrator. Both individuals should receive MGIC office communications on these matters.

Establishing the first bank accounts: For new bank accounts, it is the MGIC office's responsibility to:

- Advise UMB of the need for a bank account to conduct MGIC's field operations
- Assist with identifying reputable and internationally compliant banks in the country and region of operation
- Propose names of MGIC employees to serve as in-country bank signatories, ensuring internal controls are maintained including segregation of duties
- Maintain the bank account and bank relationships; initiate requests and process change of signatories; initiate, maintain, and control online banking

Each bank account has a Responsible Person, who is named in the [Bank Signature Authorities Table](#).

Opening additional bank accounts: To open additional accounts, the CD/CR in partnership with the UMB department administrator and MGIC VP of Policy & Administration, submits a letter to the MGIC Board of Directors, detailing why the new account is needed. The Board approves or rejects the request at its discretion.

Removing and adding account signatories: Typically, MGIC bank accounts are opened with two US-based signatories approved by the MGIC Board and four country-based signatories approved by the MGIC President. To add, change, or remove country-based signatories at a later date, the office takes the following steps:

1. The CD/CR submits a written request to the IO Manager – International Finance & Procurement and the UMB department administrator, and attaches the [Bank Signature Authorities Table](#) in which all existing signatories are listed and the proposed action is reflected.
2. The UMB staff defined above obtains the MGIC President’s approval on the [Bank Signature Authorities Table](#) and conveys that approval back to the CD/CR.
3. The CD or DFA notifies the bank in writing of the account signatories to add, change, or remove, and ensures the bank takes the requested action.
4. If removing a signatory who is still employed by MGIC, the DFA notifies the person of the status change.

Closing bank accounts: A bank account may be closed following the end of a program or MGIC’s exit from a country. Bank accounts must be closed within six months of the end of the program or office they support. To close out an account, the DFA must first contact the bank to inquire about the process and, if possible, obtain a description of that process to share with the IO Manager – International Finance & Procurement and the UMB department administrator.

Final authority to close out the account comes from the MGIC Board. The UMB department administrator will inform the MGIC office on where to transfer the unspent funds in the account.

Internal controls for bank accounts and checks

The DFA is responsible for maintaining strong internal controls for banking, including:

- Require at least two authorized signatures for e-payments and checks
- Assign access and permission levels to online bank portals only as needed
- Audit the list of authorized users on a regular basis and, on an annual basis, submit to the head office the bank’s list of MGIC authorized users (see [5-16 Financial Reporting to UMB](#))
- Ensure each person who is assigned access has a separate user profile – with unique login and password – to help enforce segregation of duties
- Tightly manage the Approved Vendors List and ensure finance team members obtain DFA approval prior to altering vendors’ bank account information
- Monitor adherence to the signature limits specified in the Tables of Authorities
- Segregate the duties of preparing e-payments and checks from the duty of releasing those payments
- Show evidence that activity in the bank accounts is monitored regularly, with special attention to cleared banking transactions
- Segregate the duty of reconciling the bank accounts from the duties of authorizing disbursements and signing checks
- Reconcile all bank accounts on a monthly basis and submit the signed reconciliation statements and bank statements with the MGIC monthly financial report

For control of checks,

- Use sequentially numbered checks for all disbursements

- Keep unused, blank checks in a safe and allow access only by personnel who are authorized to prepare checks but do not themselves have signature authority
 - Prohibit access to the check stock by bank account signatories
 - Prohibit pre-signing of blank checks
- Unless an exception is approved by UMB, an individual should not authorize disbursements or sign checks in the case where that individual is the payee. (To request an exception, MGIC submits a [Policy Exception Request Form](#) – see [Exceptions and exceptions request process](#) in 5-1 Overview of MGIC Financial Policies and Procedures.)

Cash and staff security

MGIC should avoid cash transactions whenever possible, giving preference first to the use of e-transactions and second to the use of checks. On occasions when cash is used, MGIC should seek to minimize the risk that cash may pose to staff safety, taking due precautions when cash is transported to and from the bank or to another destination.

- The most secure means of travel should be selected and, when appropriate, a second person should accompany the person carrying cash.
- Staff who are transporting cash should vary the days and times that they travel. Such trips should **not** be made on a regular or predictable schedule. The schedule should be kept confidential.
- Staff who transport cash should have clear instructions that in the case of a robbery, they should not risk their lives or safety to protect cash. In the case of theft, they must seek a police report and immediately submit an [Incident Report Form](#) to the CD/CR and security focal point (see [8-Safety and Security](#)).
- The office's property insurance policy should cover cash in transit (see [3-6 Insurance](#)).

Transfer of funds between the USD and local currency accounts

To reduce or eliminate foreign exchange charges, UMB wires RIF and MGIC USA replenishment funds in US dollars to each office's USD bank account. A country office may transfer money between the USD and local currency account, based on projections of monthly expenditures.

The DFA is responsible for carefully planning such transfers in a way that minimizes exchange rate losses, minimizes bank charges, and avoids overdraft charges due to having insufficient funds on hand.

Disbursements

The only permitted disbursements from MGIC bank accounts are those which support program activity and are in accordance with UMB and MGIC policy and comply with sponsor prohibitions and restrictions. See [Allowable versus unallowable costs](#) in 5-7 Financial Management Systems and Processes for guidance on making disbursements with USG sponsored funds in accordance with the [USG Uniform Guidance](#).

Checklist for CDs/CRs

- ☐ Ensure required UMB approvals are obtained prior to opening a bank account in MGIC's name, making changes to an existing bank account, changing bank signatories, or closing an account
- ☐ Ensure that only MGIC and UMB employees have online access to the MGIC bank accounts and that these accounts are never used for personal reasons
- ☐ Reconcile each bank account on a monthly basis and submit the signed bank reconciliation statements with the monthly financial report
- ☐ Give preference first to the use of e-transactions and second to the use of checks, and avoid cash transactions whenever possible
- ☐ Establish and maintain safety-related precautions for all personnel carrying cash on behalf of the country office
- ☐ Plan carefully to minimize the need for transfers from the USD bank account to the local currency account
- ☐ Oversee that all disbursements from MGIC bank accounts are in accordance with UMB and MGIC policy and comply with sponsor prohibitions and restrictions

Key references

- [Bank Signature Authorities Table](#)
- [Incident Report Form](#)
- [Policy Exception Request Form](#)
- [3-6 Insurance](#)
- [5-1 Overview of MGIC Financial Policies and Procedures](#)
- [5-7 Financial Management Systems and Processes](#)
- [5-16 Financial Reporting to UMB](#)
- [8-Safety and Security](#)
- [USG Uniform Guidance](#)

5-12 Payment of Expenses

Policy statement

MGIC must use the most secure forms of payment for financial transactions.

- Highest priority should be given to **electronic payments** (e-payments) for making payments of any kind. Only UMB-approved methods of electronic payment may be used. Approved methods include electronic funds transfers (EFTs) and payment orders, as well as mobile money transfers (MMTs) and reputable international money transfer services (such as Western Union and MoneyGram), where available, allowed by award sponsor regulations, and preferred over routine bank transfers.
- Lower priority should be given to payment by **check**.
- **Cash** should be used minimally and only for certain types of petty cash payments (see [below](#)) and for program advances in extraordinary situations (see [Requesting a program advance](#) in 5-13 Advances). Payments greater than US\$200 may be made in cash only as an absolute last resort.

New forms of e-payments

If UMB/MGIC decides to approve a new method of electronic payment, COs will receive written notification that henceforth such payment method is allowable.

Any purchase using MGIC funds, regardless of the total cost, must be approved by a staff person vested with signature authority. The total value of the procurement must fall within the signature authority of the staff approving the [Purchase Requisition \(PR\) Form](#). see [5-15 Procurement](#) for details.

MGIC USA may make payments on behalf of a UMB Funding Unit for goods and services purchased outside the US, as well as to recipients of MGIC Funding Agreements and other agreements funded by UMB's lightly restricted and unrestricted resources. Required supporting documentation for the payment includes:

- An executed contract for goods or services, an MGIC Funding Agreement, or another instrument documenting the relationship and terms of support between UMB and the recipient, such as a visiting faculty appointment or honorarium support letter.
- A vendor invoice for goods or services, if applicable
- A line-item budget for approved expenses, if applicable
- A Payee Bank Information Form from the recipient
- A Payment Authorization Form from the UMB Funding Unit
- A search confirmation through MGIC's preferred commercial sanctions screening software, if not already performed through an MGIC or UMB procurement process. (See [Compliance with U.S. export controls and sanction laws](#).)

See MGIC USA's standard operating procedures on the [Global Hub website](#) for more information.

A country office may establish one petty cash fund in the main office and as needed, one in each field sub-office. Prior written approval from the UMB department administrator is required for establishment of a second petty cash fund in any office of the country office. The DFA is responsible for oversight of petty cash management.

- MGIC may not issue any payments to subrecipient organizations (partners implementing subawards with sponsor funds). All such payments are made by UMB.

Electronic payments

Electronic payments are preferred for most transactions, because they offer improved security over cash and check payments and are more efficient for all parties involved. The types of e-payments used by MGIC include online bill pay, EFTs (including through commercial international money transfer services), payment orders, online banking, wire transfers, mobile money transfers (MMTs), local bank transfers, and payroll deposits of employees.

As with transactions of all types, the duties for e-payments must be segregated (see [5-3 Internal Controls](#)) among the requestor, the approver, and the finance team. Strong internal controls are important for detecting unintentional errors and reducing the risk of misuse of resources. Specifically, offices should:

- Have in place strong internal controls for banking, including managing access and permission levels, as laid out in [5-11 Bank Accounts](#)
- Ensure payments are processed in a timely manner
- Prepare complete supporting documentation for each transfer (at a minimum, management approval, proof of relevance to the award/project, evidence that goods or services purchased were received, and proof of payment)
- Ensure that approvers and signatories have online visibility of all electronic payments that the office has transacted
- Have established procedures for avoiding duplicate transactions and recalling transactions

- Attach proof of payment to the transaction documents, which may be a payment reference and batch number generated by the bank system or some other form of proof (see [Standards for recorded transactions](#) in 5-7 Financial Management Systems and Processes)

Mobile money transfers (MMTs)

MGIC offices may use mobile money transfers as one form of payment, if reliable MMT services are available and clear procedures and appropriate controls are in place. Most commonly, MMTs are used to provide per diem and other stipends to verified participants at program events. MMTs may also be used for vendor payments or staff travel advances.

When using MMTs, MGIC must be vigilant to avoid errors in entering mobile phone numbers and must take measures to keep payees' personal data secure.

Establishing an account: MGIC should first consult with the UMB department administrator when seeking to engage a local mobile-money service provider. The office conducts the search and identifies a suitable local service provider – one that can issue and accept MMTs. This is typically a local mobile network operator that has a network of registered transfer agents, though the provider could also be a bank or other entity. The office should confirm with the UMB department administrator prior to proceeding with registering with a mobile-money service provider.

As with other e-payments, the DFA needs to set up strong internal controls for mobile-money accounts, including managing access and permission levels for MMT systems and ensuring segregation of duties. In cases where the mobile-money service provider requires establishing a trust or escrow account that holds MGIC funds ("mobile-money trust account"), MGIC must perform a monthly reconciliation of that account and submit the [Mobile-Money Trust Account Reconciliation Statement](#) with the monthly financial report.

MMT for events with participant stipends: The procedures for using MMT to provide participant stipends are as follows:

- **MMT administrative officers:** The MGIC office identifies and trains staff members to serve as administrative officers for MMTs at the event site. They are responsible for managing the MMT documentation, monitoring distribution, and obtaining approvals.
 - **MMT Attendance and Payment Form:** The administrative officer has each participant at the event enter their name and their personal mobile phone number on the [MMT Attendance and Payment Form](#). Working closely with the organizers of the event, the administrative officer tracks attendance. At the conclusion of the event, the administrative officer completes the column for payment amount and seeks the program manager's signature indicating their affirmation of the data on the form.
 - **Payment review, approval, and disbursement:** The administrative officer or program manager submits the documentation to the finance team for review, approval, and disbursement according to their usual payment procedures.
- Participants who will receive MMTs should present a mobile phone number registered in their own name. Confirmation messages, then, will show the same name and serve as proof of receipt.
 - Under no circumstances may participants have MMTs sent to an MGIC staff member to receive payments on their behalf.

MMT for vendor payments, staff advances, and other purposes: If using MMT for purposes besides providing participant stipends, the MGIC office should have documented procedures that cover when and how MMT may be used, and the internal controls required. In all cases, the first step is that the requestor completes and submits a [Mobile Money Transfer Form](#), taking care to enter the mobile phone number(s) accurately.

- MGIC personnel who will receive MMTs should present a mobile phone number registered in their name.
- For vendor payments, other forms of electronic payment are preferred. While a vendor's invoice is presented in the name of the provider of the goods or services, the mobile-money account may be owned by an owner, top manager, or other individual who is an official representative of the company. If owned by an individual, MMT payments would be going to a different legal entity than that from which the country office made the procurement. Therefore, MGIC offices must require that the vendor provide documentation demonstrating that the individual is an official representative.
- Under no circumstances may MGIC staff members receive MMT payments on behalf of vendors.

As with other payments, the requestor's manager indicates approval on the form and the finance team reviews the signed-off form, enters the data into the MMT system, obtains approvals, and disburses the MMTs according to their usual payment procedures.

Checks

When making payments by check, MGIC offices are required to follow the procedures for signatories, control of checks, and other internal control measures, as laid out in [5-11 Bank Accounts](#).

Petty cash

MGIC should give priority to making payments via e-payments (first) and checks (second), even for low-value purchases of goods and services. In instances when using an e-payment or check for a low-value purchase is difficult because of time constraints or local business practices, MGIC may make payment in cash from the petty cash fund.

Establishing the petty cash fund: A new petty cash fund may be established if none exists in that particular office or with written approval from the UMB department administrator to establish a second petty cash fund. The petty cash fund is funded and replenished from a country office's local currency bank account.

Petty cash float: The amount of the petty cash float is determined by the DFA and may not exceed the local-currency equivalent of US\$500, unless an exception is requested and approved by the UMB department administrator.

Maximum disbursement: The maximum petty cash disbursement amount will be set by the DFA and must be less than the local-

Float Level: Exceptions

If for efficient operations a country office needs a higher petty cash float or a higher amount for the maximum disbursement from the petty cash, the DFA should submit a request to the UMB department administrator using a [Policy Exception Request Form](#). The request should provide justification for the proposed change and state the suggested US\$ amount. The UMB department administrator will communicate approval or disapproval back to the country office.

currency equivalent of US\$200. (Any payment equal to or exceeding US\$200 requires a purchase agreement – see [5-15 Procurement](#).)

- Requests for advances or reimbursements that exceed this amount may not be paid out of the petty cash fund.
- It is not permitted to break up invoices or purchases to keep the amount below the threshold.

Use of petty cash funds: Petty cash disbursements may be used for payment of goods and services in support of programmatic and administrative activities. Allowable disbursements include:

1. Payment for limited amounts of office supplies and services
2. Advances to MGIC personnel to purchase limited amounts of goods and services that are allowable, reasonable, and allocable (see [Allowable versus unallowable costs](#) in 5-7 Financial Management Systems and Processes)
3. Reimbursement to personnel for authorized expenses paid with personal funds

MGIC offices may not make the following types of disbursements from petty cash:

1. Salary advances
2. Personal advances (loans to individuals for their personal expenditure)
3. Reimbursements for business-related expenses incurred by UMB faculty or staff, or by UMB-procured independent contractors (consultants)

Petty cash custodian: Each petty cash fund has a custodian who is an MGIC employee and has DFA approval to serve in this role. An alternate or back-up custodian may be appointed as well. When a custodian leaves the role, another person should immediately be approved to serve as the next custodian.

- The [Table of Finance-Related Authorities](#) shows the specific staff responsible for security and oversight of petty cash.

The custodian is responsible for safeguarding the funds, logging disbursements on the [Petty Cash Log](#), disbursing funds only if proper documentation is provided, keeping receipts, and reconciling and replenishing the fund. Custodians must be trained in their duties and overseen by the DFA.

- Ideally, the petty cash custodian is not a member of the finance team. Typically, an administrative assistant or receptionist serves in this role.
- The petty cash custodian may not be someone who has signatory authority on MGIC bank accounts.

Safeguarding the cash: Petty cash should be stored in a locked box, in a secure location, with access limited to the custodian and the DFA and/or a designated back-up custodian.

Petty cash register: The petty cash custodian is responsible for keeping a register of all petty cash transactions in the [Petty Cash Log](#). Payments from petty cash are to be recorded as they occur (using cash basis accounting).

Prior approval of expenditure: Prior to expenditure for which petty cash reimbursement will be sought, the requestor completes a [Purchase Requisition \(PR\) Form](#) with all relevant information, including the award/class (project) to which the payment will be charged, and has the appropriate manager sign to indicate approval.

- The DFA may institute a policy allowing for petty cash expenditures **without prior approval** if the amount of the expenditure is beneath an established threshold. Such policy must be stated in writing, and the threshold set by the DFA may not exceed the local-currency equivalent of US\$15.
- The policy should make it clear that incurring expenses without prior approval should happen **only as an exception**, and that the prior completion of a [Purchase Requisition \(PR\) Form](#) is strongly recommended even for small expenditures.
- Expenditures made without prior approval still require a completed and approved [Purchase Requisition \(PR\) Form](#) for petty cash reimbursement. Managers may choose not to approve reimbursement of an expenditure that did not have prior approval. They should address any situation where a team member repeatedly incurs expenses without prior approval.
- To address risk associated with this policy, the DFA should direct the petty cash custodian and finance team to give special attention to monitoring that each small expenditure has a legitimate business purpose.

Petty cash payments: Requests for reimbursement from petty cash should be accompanied by a completed and approved [Purchase Requisition \(PR\) Form](#) and by receipts or other documentation of the expense.

Petty cash advances: On rare occasions, personnel may require a petty cash advance for a business-related expense. The [Purchase Requisition \(PR\) Form](#) and procedure should be used for this process. To reconcile (retire) a petty cash advance, the individual submits the receipts and unused cash (if any) to the petty cash custodian.

Petty cash reconciliation and replenishment: The petty cash fund should be reconciled and replenished before the cash on hand falls below 25% of its ceiling or at the end of the month – whichever comes first. To initiate a replenishment, the custodian presents a written request to the finance manager, attaching the [Petty Cash Log](#) and the [Purchase Requisition \(PR\) Forms](#) with original receipts and other documentation attached to each one.

Checks drawn on the bank account to replenish the petty cash fund must be issued to the petty cash custodian. Any exception must have DFA written approval.

Petty cash reviews: The DFA should carry out periodic unscheduled (surprise) reviews of the petty cash fund at least once per month and record the findings on a [Petty Cash Count Form](#). The DFA may also, at their discretion, conduct scheduled (routine) petty cash counts.

Turnover to temporary custodians: A cash count must be performed whenever the petty cash custodian turns over the cash to another person and receives the cash back. The custodian and temporary custodian perform the count together and both sign the [Petty Cash Count Form](#).

Turnover to a new custodian: A petty cash reconciliation and replenishment must be performed when one custodian concludes their service and a new one takes on the responsibility with DFA approval.

Exchange rates

MGIC awards that are received from the sponsor in US dollars or other non-local currency must be reported back to the sponsor in that currency. While the majority of a country office's financial transactions happen in local currency, on occasion, the transaction may happen in another currency

such as USD. In such cases, the transaction should be converted to local currency **at the rate on the date the transaction occurred** and then entered in the accounting software.

The rate on the date is defined as the **market rate given by the financial institution where the country office has its bank accounts**. The rate used should not be the rate in the project budget. Reporting should be done to compare the budgeted rate with the actual rate and ascertain the value of a gain or loss.

The rate used in the financial system that reflects the actual exchange rate on the date of transaction may differ from the rate used on the purchasing documents. This is because rates change.

Care should be given to **keep exchange rate documentation with transactions** to show the rate used in the budget, in the financial system, and in the procurement documentation.

The DFA should make sure that the USD cash balance on the trial balance at the end of the month is properly adjusted (using a journal entry) to reflect the exchange rate in place on the last day of the month.

Checklist for CDs/CRs

- ☐ Use e-payments or the most secure form of payment for all transactions, and avoid use of cash
- ☐ Ensure that all purchases, regardless of cost, are approved by personnel with the appropriate threshold of signature authority
- ☐ Do not make any subaward payments to a subrecipient organization as all of these payments are made from UMB. Note: MGIC may issue payments to recipients of UMB Funding Agreements and of other lightly restricted and unrestricted funds, with authorization by UMB Funding Unit and MGIC VP – Policy & Administration
- ☐ If using mobile-money transfers, have clear procedures and appropriate controls in place
- ☐ Obtain prior UMB approval before opening a second petty cash fund
- ☐ Obtain prior UMB approval if wanting to exceed the maximum petty cash float of the local-currency equivalent of US\$500
- ☐ Only use petty cash disbursements for programmatic and administrative purposes and never for personal expenses or other non-program-related expenses
- ☐ Ensure the Tables of Authorities are up-to-date and show the specific staff responsible for security and oversight of petty cash
- ☐ Monitor that petty cash procedures, including use of the [Petty Cash Log](#) and [Petty Cash Count Form](#), are being carried out appropriately

Key references

- [MMT Attendance and Payment Form](#)
- [Mobile Money Transfer Form](#)
- [Mobile-Money Trust Account Reconciliation Statement](#)
- [Petty Cash Count Form](#)
- [Petty Cash Log](#)
- [Policy Exception Request Form](#)
- [Purchase Requisition \(PR\) Form](#)
- [Table of Finance-Related Authorities](#)

- [3-4 Field Operations Manual](#)
- [5-3 Internal Controls](#)
- [5-7 Financial Management Systems and Processes](#)
- [5-11 Bank Accounts](#)
- [5-13 Advances](#)
- [5-15 Procurement](#)

5-13 Advances

Policy statement

MGIC personnel and, in certain cases, independent contractors (consultants) may receive advances to pay the costs of business travel. If unavoidable, MGIC personnel may receive advances to pay the costs of program activities. Advances are appropriate when the office cannot readily make a direct payment by more secure means to a vendor or other entity or person.

MGIC may not issue travel or program advances to UMB employees or to individuals not employed by or contracted by MGIC.

Disbursements: Travel and program advances shall be disbursed by e-payment whenever possible and by check secondarily. Only in emergency or exceptional situations shall advances be disbursed from a petty cash fund, and in such cases the petty cash maximum-disbursement amount applies (see [Petty cash](#) in 5-12 Payment of Expenses).

Restrictions on the number of outstanding advances: This Policy requires that any outstanding travel advance for an individual be reconciled (retired) before a new travel advance may be issued. Similarly, any outstanding program advance for an individual must be reconciled before a new program advance may be issued. However, the Policy allows exceptions:

- An individual may simultaneously hold a travel advance (for personal travel expenses) and a program advance (for program activities).
- A travel advance may be issued to an individual for two back-to-back trips, if the time in between the trips is insufficient to reconcile a current advance and request and receive a new advance. However, the documentation on the subsequent advance needs to demonstrate why there was insufficient time to clear the first advance and should take into account the fact that electronic systems allow for fast turnaround times to clear outstanding advances.

Requesting and approving advances: Advances shall be requested **at least five business days (1 week)** prior to the start of travel or implementation of the program activity. In the event of last-minute notice, the advance shall be requested as soon as the unexpected travel or program activity is known.

- Program advances in the amount of **US\$5,000 or greater** require written approval from the UMB department administrator. The approval of the MGIC President is required as well for program advances in the amount of US\$10,000 or greater.
- An approved MGIC [Travel Authorization Form](#) must be submitted prior to issuance of a travel advance. (Note: any international travel by MGIC personnel must also comply with UMB's Policy on Business Travel and related procedures for affiliate personnel. See Section [3-7 of Administration and Operations policy](#)).

Reconciling advances:

- Advances should be reconciled (cleared) **as soon after completion of travel and/or program activities as is feasible** and **within 10 business days (2 weeks)**. The MGIC office may impose a more stringent timeline, in which case the office should clearly define the limited cases in which exceptions are permitted
- Advances not reconciled within 60 days rise to the level of extremely delayed reconciliations that shall be highlighted in the monthly financial reports.

When a trip or a program activity is **cancelled or postponed**, the recipient of the advance must return the advance immediately.

Per diem rates for international travel are set by the UMB department at or below U.S. State Department foreign per diem rates. Per diem rates for local (in-country) travel must be approved by the UMB department administrator when established by the MGIC country office and whenever changed.

MGIC must adhere to **USG travel requirements and restrictions** when using USG-sourced funds. Any proposed MGIC business travel to a USG-restricted country should be discussed with the UMB department administrator, as it requires the written approval of the MGIC President. International travel must have prior sponsor approval in certain cases. See [3-8 Travel](#) for the full MGIC Policy on travel.

- **MGIC may not issue any personal advances**, which are loans to individuals for their personal expenditure. Any requested exceptions to this Policy must be submitted to the UMB department administrator with a full written justification. (To request an exception, the office submits a [Policy Exception Request Form](#) – see [Exceptions and exceptions request process](#) in 5-1 Overview of MGIC Financial Policies and Procedures.)
- **MGIC may not issue advances of any kind to subrecipient organizations** (partners implementing subawards funded through sponsored-award PAAs).
- However, MGIC may issue advances to recipient organizations under MGIC Funding Agreements and other instruments that are funded through lightly and unrestricted UMB resources, with prior authorization from the UMB Funding Unit and MGIC VP – Policy & Administration.

See [5-15 Procurement](#) for information on vendor prepayments (deposits).

Requesting a travel advance

Travel advances may be used to cover the costs of lodging, meals and incidental expenses, ground transportation, and other reimbursable travel expenses. Travel advances should be requested **at least five business days prior to travel**, when the person has due notice of travel.

1. The traveler completes a [Travel Authorization Form](#) and submits it for approval, also ensuring that previous advances have been reconciled.
 - a. Special Note: All travel by MGIC personnel and others traveling on MGIC business outside the country of the traveler's duty station (i.e. International Travel) must follow the UMB procedure for [Non-Employee International Travel](#) (which applies to MGIC as a UMB affiliate) including submission of a UMB Travel Attestation Form and adding the itinerary to International SOS in all cases. This required procedure is additional to the MGIC Travel Authorization Form, which must be completed for either domestic or international travel by MGIC travelers. See [Section 3-7 in the](#)

[MGIC Administration and Operations Policy](#), as well as the UMB Policy and Procedure for Business Travel, for more information.

2. The authorized manager reviews the request, with special attention to the described **business purpose** of the travel and the **name of the award/class** (project) to be charged, and signs to indicate approval.
 3. The traveler submits the approved [Travel Authorization Form](#) and a [Travel Advance Request Form](#) to the finance team **at least five business days** before the start of travel.
 4. The traveler signs the [Travel Advance Request Form](#) upon receipt of the funds.
- The travel advance request may include up to 100% of the meals and incidental expenses (M&IE) allowance for that travel. If meals are provided during travel, the M&IE allowance is reduced accordingly. Whenever possible, MGIC pays directly for accommodations by electronic payment or check. In some cases, another MGIC office pays and charges the appropriate budget. As a last option and in rare circumstances, the cost of accommodations may be paid by the traveler and the anticipated expense accounted for in the funds advanced to the traveler. (See [3-7 Travel](#) for details.)
- The finance team may only process an advance request once both a completed [Travel Authorization Form](#) and [Travel Advance Request Form](#), as well as the UMB Travel Attestation Form when applicable, are in hand and confirmation made that the traveler has no outstanding advances.
- The finance team should carefully review the terms of a consulting agreement (contract for services) before issuing a travel advance to an independent contractor. Sometimes the consulting fee includes all expenses, and a portion may have been paid upfront.

Per Diem

Per diem is the allowance staff receive to cover their costs while on official travel away from their normal assigned work location. Per diem includes an allowance for meals and incidental expenses (M&IE) and for lodging.

Per diem rates for international travel are prescribed for the country of travel by the University of Maryland.

Per diem rates for local travel are recommended by the MGIC office and approved by the UMB department administrator when established and whenever changed. Factors considered in setting the rates are local government practices, rates used by peer organizations, and not exceeding rates for international travel.

Reconciling a travel advance

1. **As soon after completion** of the travel as feasible, and **within 10 business days (2 weeks)**, the traveler submits to their supervisor a [Travel Expense Report](#) with the required supporting documentation (boarding pass, hotel bill, taxi receipt, etc.).
2. The supervisor reviews the report and approves by signing.
3. **If the traveler has unused funds from the travel advance**, the traveler returns these **with the [Travel Expense Report](#)**. The finance team acknowledges receipt of the returned funds by signing where indicated on the [Travel Expense Report](#) form. The finance team deposits the funds and records the deposit in the finance system.
4. **If a balance is due to the traveler**, the finance team processes the payment. Upon receipt of the balance due, the traveler signs the [Travel Expense Report](#) where indicated on the form.

Electronic Submission

An employee may take a photo of their completed Travel Expense Report and submit the image to their supervisor for review and approval.

Note: The traveler completes the report using the same currency as the currency in which the advance was issued, e.g., if the travel advance was issued in US dollars, then expenses shall be reported in US dollars, the reconciliation calculated in US dollars, and the transaction entered into the accounting software in US dollars.

When employees have used foreign currency during their travels, they attach foreign currency exchange receipts, credit card or bank statements, or other documentation showing exchange rates for the transaction dates. If such documentation is not available, the employee uses the foreign currency convertor tool specified in the FOM (e.g., [OANDA](#)) to convert the foreign currency amounts to local currency.

See [3-7 Travel](#) for the full MGIC travel procedures.

Requesting a program advance

The use of program advances should be minimized as much as possible. Program advances may be issued to MGIC personnel for program expenses that cannot be paid by e-payment or check but **require payment in cash**. The most common example of such is when mobile money cannot be used, and cash is required for reimbursing training or conference participants for travel expenses and per diems.

1. The employee requesting a program advance submits a request **at least five business days in advance of the day it is needed**. The request includes a [Program Advance Request Form](#) and a line-item budget showing how the advance will be spent.
2. The authorized manager reviews the request, with special attention to the award/class to be charged, and signs to indicate approval.
3. If the amount of the advance is US\$5,000 or greater, the MGIC office submits the request to the UMB department administrator for review and approval.
4. Once the requisite approvals are obtained, the requestor submits the [Program Advance Request Form](#) to the finance team for action.
5. When the requestor receives the advance, the requestor signs the [Program Advance Request Form](#) to affirm receipt.

Reconciling a program advance

1. **As soon after completion** of the program activity as feasible, **and within 10 business days (2 weeks)**, the employee submits to their supervisor a [Program Expense Report](#) with the required supporting documentation.
2. The supervisor reviews the report and approves by signing.
3. **If the employee has unused funds from the program advance**, the employee returns these **with the [Program Expense Report](#)**. The finance team acknowledges receipt of the returned funds by signing where indicated on the [Program Expense Report](#). The finance team deposits the funds and records the deposit in the finance system.
4. **If a balance is due to the employee**, the finance team processes the payment. Upon receipt of the balance due, the employee signs the [Program Expense Report](#) where indicated on the form.

Delayed reconciliations

The MGIC finance team should closely monitor outstanding advances. It is recommended that the DFA disseminate to all personnel a monthly status report of advances that have been outstanding

for more than 30 days. An employee's repeated failure to reconcile advances in a timely manner should be raised as a performance issue and disciplinary action taken as appropriate.

If an advance is outstanding for longer than 60 days, this should be highlighted by the DFA or CD in the monthly financial report's cover message. Such advances may be treated as taxable income, depending on the applicable laws and regulations.

Every effort should be made to reconcile outstanding advances prior to termination of an individual's employment. If the reconciliation cannot be concluded prior to the termination date, the amount of the advance may be subtracted from the departing employee's final payroll amount or separation payments if allowable under local labor law. If not allowable, the MGIC office should pursue recapturing the outstanding advance directly from the departing employee. See [4-20 Separation from Employment](#) for more information.

Checklist for CDs/CRs

- ☐ Limit travel advances to costs of business travel where direct payment for goods and services is not possible
- ☐ Minimize and restrict the use of program advances to situations where payment for program expenses must be made in cash
- ☐ Adhere to MGIC policy restrictions on issuing personal advances and advances of any kind to subrecipient organizations.
- ☐ Do not issue advances for personal needs nor to subrecipient organizations under sponsor-funded awards.
- ☐ Require that any outstanding advance be reconciled before a new advance of the same type is issued
- ☐ Encourage individuals to request advances well in advance of travel or program activity
- ☐ Monitor that [Travel Expense Reports](#) and [Program Expense Reports](#) are submitted within 10 days after completion of the travel or program activity

Key references

- [Policy Exception Request Form](#)
- [Program Advance Request Form](#)
- [Program Expense Report](#)
- [Travel Advance Request Form](#)
- [Travel Authorization Form](#)
- [Travel Expense Report](#)
- [3-8 Travel](#)
- [4-20 Separation from Employment](#)
- [5-12 Payment of Expenses](#)
- [5-15 Procurement](#)

Other Financial Policies

5-14 Payroll

Note: This section does not apply to personnel whose compensation is paid directly by the University of Maryland, Baltimore or through an MGIC Employer of Record (EOR).

Policy statement

MGIC must ensure timely and accurate payment of salaries, wages, benefits, allowances, and remittances to employees, the payroll service provider (if applicable), and government agencies, as applicable.

An MGIC office must have appropriate internal controls in place for the payroll process, including segregation of duties between the individual managing personnel processes and the individual managing the payroll payments. This includes:

- Before payments are issued, payroll reports are ***approved in writing by at least two authorized signatories using the [Payroll Approval Form](#)***.
- After the payroll has been processed and entries have been posted in the accounting software, a ***reconciliation between the payroll register and the financial statements*** is conducted to confirm that the expenses reported in the financial statements match with the source documentation.

Payroll information is confidential, and payroll records must be handled in a manner that protects their confidentiality throughout the payroll process and when stored.

Timekeeping and levels of effort

Personnel use the MGIC-provided timekeeping system to report their time spent on the job and hours worked on each project. This is important because it helps track employee attendance, leave days used, and the total hours chargeable to each award and to other UMB funding sources. See [4-13 Timekeeping and Effort Reporting](#) for details.

Payroll software and service providers

MGIC offices may manage payroll in a variety of ways, as appropriate to local circumstances and as recommended by the DFA and approved by the CD. The main options are:

- Offices may use payroll software that meets MGIC standards, which are: (1) it calculates each employee's gross income, deductions, and net income, and (2) it provides year-to-date earnings and tax withholdings and other payroll deductions. Ideally, the software also transfers funds electronically into employees' bank accounts.
- Offices may choose instead to use a payroll service provider to make the payroll calculations and provide the year-to-date information.
- As a third option, offices may choose to use a full-service payroll service provider. The provider must have the capability to meet the same MGIC standards used for payroll software.

If contracting a third-party payroll service, the acquisition must comply with procurement policy and procedures (see [5-15 Procurement](#)). Consideration should be given to procuring payroll services on a two- or three-year basis to minimize the administrative burden associated with changing providers and transferring payroll data to a new provider.

- Agreements with third-party service providers must detail the methods they will use to prepare, authorize, and disburse salary payment, as applicable, and in accordance with MGIC policy.

- The MGIC office must collect monthly proof of payment confirmations from payroll service providers that include year-to-date earnings and withholding details. Those reports must come with the company's logo on them or other proof that the source of the reports is the third-party payroll service provider.

Forms of payment

Payments to MGIC personnel are to be made via electronic payments whenever possible. Otherwise, checks are used.

With e-payments, once the funds have been transferred from MGIC to the employee's bank account or from MGIC to an MGIC-contracted third-party payroll service provider, MGIC is no longer responsible for the funds. Furthermore, MGIC is not responsible for any bank fees charged to the employee.

Payroll withholdings

The MGIC office or its payroll service provider withholds income taxes from all employee salary payments at the end of each pay period and remits the withholdings to the relevant government office in the employee's name as prescribed by local laws. They also withhold and remit employee contributions associated with benefits, such as to an authorized national health insurance, pension scheme, or for any other mandatory withholdings required by local laws. If requirements for filing with the necessary government and benefit agencies are not met, e.g., if any deadlines for timely filing of tax and contribution payments are missed, the DFA should notify the UMB department administrator immediately.

The DFA is responsible for ensuring that fringe benefit calculations are updated whenever changes in the local requirements go into effect.

Responsibilities

The DFA holds the responsibility to:

- Maintain a payroll process that maximizes internal controls
- Ensure documentation of written approval of each payroll and maintain complete payroll records, including proof of payment confirmations from third-party payroll services.
- Ensure timekeeping reports match payroll
- Ensure accuracy in the payroll report, performing routine reviews (see below)
- Ensure compliance with local labor and tax laws

In country offices with larger finance teams and for segregation of duties, the person who investigates and corrects any payroll-related errors discovered during routine reviews or audits should not be the person responsible for data entry and recordkeeping and submitting the approved payroll for payment.

Supervisors initiating any type of change to an employee's status – including rate of pay, reduction or increase in hours, or separation – are responsible for completing [Personnel Action Forms](#) and seeking relevant approvals (see [4-1 Overview of MGIC Human Resources Policies and Procedures](#) for details). Copies of approved [Personnel Action Forms](#) are sent to the finance team to provide the information required for making adjustments to payroll.

Recordkeeping

Payroll records should include:

- Employee's name and position
- [Personnel Action Forms](#)
- Appointment date
- Base salary/hourly wage
- Source(s) of funding (awards)
- Hours worked per payroll period
- Leave earned and used
- Allowances (if any)
- Benefits (insurance, pension, etc.)
- Tax and other payroll deductions
- Separation date
- Severance (if any)
- Payroll register/detail

Payroll reconciliation and adjustments

The DFA reviews payroll transactions once every pay period to:

- Verify that benefits and allowances paid are consistent with employment agreements and [Personnel Action Forms](#) received from the human resources (HR) lead
- Verify that payroll records match timekeeping documentation, and that time worked, and leave used are accurately entered in the payroll records
- Verify that payroll records accurately reflect payments made according to the payroll service provider's register, as applicable
- Verify for each timesheet that the employee and supervisor have both signed
- Verify that any reported changes, such as a pay increase or employee separation, are recorded in the payroll records and that payments, benefits, and tax calculations reflect the changes
- Verify that the benefits calculations reflect any updates to local government and other requirements that affect employee benefits

Any **underpayment** must be restored to the employee immediately, either through a check written by MGIC or by an adjustment to payroll through the service provider.

Likewise, **overpayments** must be recaptured from the employee. The finance team communicates with the employee regarding the overpayment as soon as it is discovered. The employee may opt to reimburse MGIC or have the overpaid amount deducted from future pay distributions in a manner that is compliant with local laws.

Checklist for CDs/CRs

- ☐ Ensure timely and accurate payment of salaries, wages, benefits, allowances, and remittances to employees, the payroll service provider (if applicable), and government agencies, as applicable.

- ☐ Maintain appropriate internal controls and confidentiality practices for the payroll process, including approval in writing by at least two authorized signatories before issuing payments
- ☐ Ensure timekeeping reports match payroll
- ☐ Use e-payments for payroll whenever possible
- ☐ Communicate to employees that once payroll funds are transferred from MGIC, MGIC is no longer responsible for the funds nor is MGIC responsible for any transfer fees charged to the employee by the employee's bank.
- ☐ Maintain complete payroll records and keep them confidential
- ☐ Perform a payroll reconciliation every pay period to verify documentation and accuracy

Key references

- [Payroll Approval Form](#)
- [Personnel Action Form](#)
- [4-Human Resources](#)
- [4-1 Overview of MGIC Human Resources Policies and Procedures](#)
- [4-13 Timekeeping and Effort Reporting](#)
- [5-15 Procurement](#)

5-15 Procurement

➤ MGIC offices must obtain MGIC Board approval ***prior to accepting any award funding and most other types of income that the office receives directly***. See [6-2 Award Management](#) for details. Any question about whether income requires prior MGIC Board approval should be directed to the UMB department administrator.

Policy statement

MGIC requires the procurement of supplies, equipment, and professional services for support of program activities and program operations. Also, UMB Funding Units may utilize the MGIC mechanism to procure goods and services and conduct financial transactions with vendors and partners outside the United States, in furtherance of the university's global mission. The process of acquiring goods and services must be conducted in compliance with the applicable MGIC policies, sponsor requirements, and local laws, rules, and regulations.

Code of conduct: All personnel involved in the process of procurement are expected to adhere to and act in accordance with the [MGIC Code of Ethics and Professional Conduct](#), which includes all laws, rules, regulations, policies, and procedures applicable to their MGIC activities.

Competitive bidding: MGIC must comply with competitive requirements for procurement, regardless of funding source. Justification of sole-source procurements must be fully documented.

Procurement thresholds: Procurement levels or thresholds apply to the total value of all the requirements for a specific procurement. Taxes, shipping and delivery costs, the value of any warranty, operating system software, and other associated costs must be included when calculating the total value of the procurement of goods.

Approval and signature authorities: MGIC must ensure that procurements are approved as required for each procurement level and in accordance with current signature authority delegations.

Procurements with an aggregate value of or over US\$5,000 must be submitted to the UMB department administrator for approval. Procurements valued at or over US\$10,000 must also be approved by the MGIC President or designee.

Execution of procurement agreements: Only authorized persons may execute procurement agreements, only legitimate and appropriate agreements may be executed, and agreements must be in accordance with MGIC policy, relevant financial, legal, and sponsor requirements, and budgeted and available funds.

Examples of Procurement Agreements

- A service contract
- A PO or a PFA with terms and conditions attached
- A refitting contract
- A consulting agreement

Note: Agreements with subrecipients – i.e., subawards issued under a UMB prime award from a sponsor – are not procurements and are not subject to this Policy. They are processed through UMB and not the MGIC office. See [6-Award and Subaward Management](#) for more information.

Overview of the procurement procedures

Following are the procedures established in support of the Policy laid out above.

- Note that **these procedures apply to all procurement agreements**, including service contracts, POs with terms and conditions attached, purchase framework agreements (PFAs) with terms and conditions attached, construction and refitting contracts, and agreements with independent contractors (consultants).

Definition of Procurement

Procurement is the overarching function that describes the activities and processes to acquire goods and services. It involves sourcing activities, such as market research, vendor evaluation, and negotiation of procurement agreements. It can also include the purchasing activities required to order and receive goods.

This section commences with overarching procurement requirements and then proceeds to address key elements of procurement. Click below to skip to the topic of interest.

[Overarching requirements](#)

[Conduct and conflict of interest](#)
[CO procurement approvals – levels and delegation of authority](#)
[Roles, responsibilities, and the segregation of duties](#)
[Procurement committees](#)
[Compliance with U.S. export controls and sanction laws](#)

“Procurement Lead”

For the purposes of these procedures, the procurement lead is the staff member designated to manage the office’s procurement function and ensure MGIC procurement standards are met.

[Special considerations for procurement](#)

[Need recognition](#)
[Value for money](#)
[Review and approval](#)
[Sourcing](#)
[Competition](#)
[Vendor selection](#)

Processes for procurement of goods and services

Purchases valued at less than US\$200

Purchases totaling US\$200.00-US\$3,499.99

Purchases totaling US\$3,500 and higher (large procurements)

Specifications for solicitation of bids

Selection criteria for evaluation of bids

Sole-source justification – procurements US\$3,500 and higher

Making payments

Paying taxes

Receiving procedures

Purchase framework agreements (PFAs)

Procurement agreement review, including renewals

Procuring and managing independent contractors

Change orders

Record retention

MGIC's procurement procedures establish the minimum required standard business processes for procurement. Within the framework of these requirements, MGIC offices may develop more detailed, context-specific procedures and document them in standard operating procedures (SOPs)

Overarching requirements

Conduct and conflict of interest

As with all personnel, MGIC leadership and staff involved in procurements and finances are required to abide by the [MGIC Code of Ethics and Professional Conduct](#) in all their dealings with suppliers, consultants, sponsors, and other MGIC contacts.

Personnel **may not**:

- Accept from a third party any financial reward or advantage offered as a result of their employment with MGIC
- Knowingly influence the conduct of MGIC and/or UMB in such a way as to benefit themselves personally
- Operate in any manner contrary to the best interests of MGIC and/or UMB
- Operate or act in a manner that creates a conflict of interest or the appearance of conflict of interest
- Backdate checks, contracts, or other legally binding documents
- Order personal goods or services using MGIC procurement services

Personnel **must**:

- Promptly and fully disclose all known and potential conflicts of interest to the DFA or other manager or through the [Ethics Hotline](#)
- Report any situation where a conflict of interest exists or appears to exist
- Report any fraud, fiscal irregularities, illegal activity, and serious violations of policy

- Maintain the confidentiality of vendor information, including details of any offers made by a vendor in response to any procurement request

See [2-Ethics and Conduct](#) for details, including [2-3 MGIC Conflict of Interest Policy](#) with examples to guide compliance during procurement.

MGIC procurement approvals – levels and delegation of authority

All procurements and change orders with an aggregate value at or over the US\$5,000 threshold are subject to UMB review and approval. In addition, all procurements of the following types require UMB review and approval, regardless of the value:

- Banking services agreements
- Contracts for audit services, legal services, and corporate secretary services
- Contracts for the lease, purchase, or new construction of real estate
- Contracts for constructing and refitting facilities, such as health clinics and laboratories

Any purchase, regardless of the total cost, must be approved by a person vested with a delegation of authority (DOA). The total value of the procurement must fall within the DOA of the person approving the purchase.

Authorized approvers are named through the Signature Authority Delegation process – see [5-4 Signature Authorities](#). Purchase requisitions and procurements are to be approved in line with established signature authorities – see chart below.

- ***Split procurements are not allowed.*** It is improper to split a purchase to reduce the value of a procurement and bypass proper competition and approvals.
- ***If processing a change order increases the procurement amount over an established threshold,*** the office must complete the requirements for the higher procurement level as part of that process.

Procurement Level Purchasing unit	Requirements for Completion Prior to Procuring
Less than US\$200 (up to \$199.99) MGIC office purchase	• <i>Purchase Requisition</i> • <i>No Purchase Order or Procurement Agreement required</i> • <i>MGIC office approval required</i> • <i>USG compliance check required</i>
Between US\$200 and \$3,499.99 MGIC office purchase	• <i>Purchase Requisition and Procurement Agreement required</i> • <i>Payment by check or bank transfer</i> • <i>Competitive process not mandatory</i> • <i>Country office approval required</i> • <i>USG compliance check required</i>
From US\$3,500 to \$4,999.99 MGIC office purchase	• <i>Purchase Requisition and Procurement Agreement required</i> • <i>Competitive bidding or sole-source justification required</i> • <i>Procurement committee recommended</i> • <i>MGIC office approval required</i> • <i>USG compliance check required</i>

From US\$5,000 to \$9,999.99 MGIC office purchase with UMB department administrator's review and approval	• <i>Purchase Requisition and Procurement Agreement required</i> • <i>Competitive bidding or sole-source justification required</i> • <i>Procurement committee recommended</i> • <i>MGIC office approval required</i> • <i>USG compliance check required</i> • <i>Mandatory review and approval by the UMB Funding Unit</i>
From US\$10,000 to US\$34,999.99 MGIC office purchase with UMB department administrator's and MGIC President's review and approval	• <i>Purchase Requisition and Procurement Agreement required</i> • <i>Competitive bidding or sole-source justification required</i> • <i>Procurement committee required</i> • <i>MGIC office approval required</i> • <i>USG compliance check required</i> • <i>Mandatory review and approval by MGIC President</i>
From US\$35,000 to US\$99,999.99 MGIC office purchase with UMB department administrator's and MGIC President's review and approval	• <i>Purchase Requisition and Procurement Agreement required</i> • <i>Advertising recommended</i> • <i>Competitive bidding or sole-source justification required</i> • <i>Procurement committee required</i> • <i>MGIC office approval required</i> • <i>USG compliance check required</i> • <i>Mandatory review and approval by MGIC President</i>
From US\$100,000 or more MGIC office purchase with UMB department administrator's and MGIC President's review and approval	• <i>Purchase Requisition and Procurement Agreement required</i> • <i>Advertising required</i> • <i>Competitive bidding or sole-source justification required</i> • <i>Procurement committee required</i> • <i>MGIC office approval required</i> • <i>USG compliance check required</i> • <i>Mandatory review and approval by MGIC President</i>

Roles, responsibilities, and the segregation of procurement duties

In most offices, the DFA is responsible for maintaining an efficient and transparent procurement process with appropriate checks in place, including segregation of duties between the functions in the process. In some cases, another office manager may hold that primary responsibility in lieu of the DFA, in which case that manager shall be responsible wherever the DFA is referenced below.

To ensure an appropriate segregation of duties in procurement, the following roles are necessary.

1. Requestor and requestor's manager

The individual whose department or team requires procurement of goods or services initiates the process by completing a [Purchase Requisition \(PR\) Form](#) in which the requestor details the technical specifications, indicates the award/class (project) to which the expenditure will be charged, and describes the business purpose. The requestor's manager approves the request.

Plan in Advance!

Very large procurements require adequate lead time. A good rule of thumb is to allocate at least one month's lead time for procurements valued at over US\$100,000.

By approving the PR, the manager accepts responsibility that:

- The expense is allowable, reasonable, and allocable to the funding source to be charged.
- The technical specifications are correct and adequately detailed. This includes:
 - If replenishing stock, ensuring that items are not already in stock and providing a written justification of quantities to be purchased
 - If related to a training or other event, supplying a list of potential attendees to support the number of people attending
 - If requested by an external agency, such as the sponsor or Ministry of Health, supplying any supporting documentation of that request
 - Supplying any communication or documentation discussing the nature of the procurement
- The budgeted funds exist for the purchase, and, if being charged to an award, the expenditure complies with the terms and conditions of that award.

A member of the finance team will then review the PR and sign the form to indicate the availability of relevant funds on the particular budget line and confirm that the item is in the budget.

Special note regarding MGIC USA: UMB Funding Units may utilize the MGIC mechanism outside of a Country Office structure to procure goods and services and conduct financial transactions with vendors and partners outside the United States. Because most UMB funding units do not have access to MGIC's online platform for procurement and payment approvals, MGIC USA manages an offline PR process for UMB Funding Units that mirrors the segregation of duties and approval authorities described in these policies and procedures. MGIC USA's detailed Standard Operating Procedure (SOP) for procurement in these situations is available on the [Global Hub Website](#).

2. Procurement lead

The procurement administrator, referred to as the "procurement lead" throughout these procedures, is a staff member designated to manage MGIC's procurement function and ensure the standards and rules are followed. In the course of duties, the procurement lead has the responsibility to:

- Pursue value for money in all procurements
- Avoid purchase of unnecessary items, e.g., items for which sufficient stock is already on hand
- Procure within budgetary constraints and meet the requests of the team that identified the procurement need
- Recommend changes in quality, quantity, or type of item requested, and suggest suitable alternatives, if appropriate
- Maintain adequate documentation of the procurement transactions for archival and auditing purposes
- Ensure that PRs, POs, and other procurement documents have evidence of the proper reviews and approvals, are free from errors, and contain all the required information
- Guard against misconduct and known or potential conflicts of interest
- Screen out inappropriate vendors, including those that are fake and those with poor performance records

Note that the procurement lead does not have authority to approve purchases per se.

The procurement lead ensures that the appropriate person properly receives the goods or services and affirms that the goods or services have met the specifications in the procurement agreement.

The procurement lead should ensure that MGIC maintains a file for each vendor and each independent contractor. Any concerns with the vendor's or contractor's performance should be documented therein.

3. Finance team

The primary role of the finance team in the procurement process is reviewing the purchasing documentation to verify that there is a budget for the procurement, sufficient funds are available, and every aspect of the procurement is ethical. The finance team is also responsible for preparing and recording payments, and for keeping complete and up-to-date procurement files.

By signing the financial review, the finance manager accepts responsibility that:

- The expenditure complies with procurement policy and procedures and the terms of the award
- The expense is authorized by the budget
- The expense is charged to the correct expense account and budgeted funds exist for the purchase
- The calculations are correct
- The required supporting documents are in order

Note that the finance team (which does not include the DFA) does not have authority to approve purchases. However, the finance team may return documentation for correction of errors, such as insufficient information, ineligible goods or services, or procurement not feasible or in violation of the sponsor's rules.

4. Property management team

As laid out in [3-7 Property Management](#), the DFA identifies the property management role for purposes of segregation of duties. Segregation of duties should exist for the roles and responsibilities of:

1. Procuring goods
2. Receiving goods
3. Maintaining the inventory of assets
4. Verifying the property, except as delegated to the person receiving goods or maintaining the inventory

Procurement committees

Procurement committees provide oversight and ensure transparency and compliance in the process of procuring goods and services. MGIC offices are required to form procurement committees for purchases valued at US\$10,000 and higher and encouraged to form them as well for non-routine procurements valued between US\$3,500 and US\$10,000.

MGIC offices should have clear procedures for the establishment, composition, and responsibilities of procurement committees. These procedures must comply with the MGIC Financial Policies and Procedures. A sample [SOP for Procurement Committee](#) is provided in the [MGIC Forms Library](#).

Requirements related to procurement committee **composition** are as follows:

- The procurement committee must consist of at least three appointed employees who can serve as voting members.

- Each committee must have at least one representative each from the finance, procurement/supply chain, and programs teams. A committee may have more members from these or other departments, depending on the nature of the procurement.
- The committee must have a minimum of two members who are not procurement/supply chain staff.
- Total procurement committee members must be an odd number for voting reasons.
- At least one member must be from the requesting UMB Funding Unit or MGIC department who is fully familiar with the product or service to be procured.

Requirements related to procurement committee **roles** are:

- The procurement committee must hold meetings.
- The procurement committee is chaired by the most senior procurement/supply chain staff.
- The procurement staff who is leading the specific procurement activity serves as the committee secretary.

Requirements related to procurement committee **formation and appointment** of its members are:

- The CD/CR in consultation with the senior procurement/supply chain manager shall appoint and approve the procurement committee members.
- The procurement committee remains active until the bid is awarded.

Procurement committees are **responsible and accountable** for:

- Procurement committee activities, recommendations, and decisions
- Compliance with MGIC, UMB, sponsor, and host government procurement regulations for the intended procurement
- Monitoring for red flags and knowing what actions to take if fraud or bribery is suspected or other red flags are noted
- Conducting bid opening meetings
- Evaluating offers or proposals submitted by bidders based on the requirements of the bid solicitation
- Establishing a scoring matrix for evaluating the bids
- Asking clarifying questions to vendors, which must be communicated in writing (via email using an official MGIC email account)
- Finalizing procurement award recommendations, and approving the [Procurement Evaluation Report/Memo](#)
- Documenting all procurement committee meetings and activities
- Attending presentations and proposals by vendors
- Conducting site visits to vendor premises as part of due-diligence activities

“Bid Solicitation”

These procedures use the term “bid solicitation” to refer to all types of requests for bids, including by way of RFQs, RFTs, RFPs, or simply emailing vendors.

Individuals who serve on procurement committees receive training on the supplier selection process and on what constitutes a perceived or real conflict of interest. They should be regularly reminded of their responsibility to disclose any conflict of interest related to a particular procurement and, more broadly, to adhere to the highest ethical standards, as laid out in the [MGIC Code of Ethics and Professional Conduct](#). (See [2-3 MGIC Conflict of Interest Policy](#) for details, including how to report questions or concerns.)

Compliance with U.S. export controls and sanction laws

UMB and MGIC are committed to compliance with applicable U.S. laws and regulations that govern transactions and collaborations with foreign persons (whether or not in the United States) and foreign organizations. These restrict the export, transfer, and disclosure of certain technical and scientific data, software, and tangible items.

Compliance with applicable U.S. laws also requires MGIC to perform checks on any individual or entity with whom MGIC proposes to make a transaction – whether a collaborator, vendor, contractor, employee, service provider, or third party. This includes those with whom MGIC plans to enter into a written procurement agreement or with whom MGIC does regular business (e.g., office supply stores, hotels). Such checks ensure that the foreign entity is not debarred or excluded, i.e., that MGIC is not legally prohibited from doing business with them and that they are eligible to receive funds from a U.S. based entity.

The procurement lead is responsible for confirming, prior to the contractor/vendor selection, that the individual or entity (party) is not debarred or excluded. The search results are placed in the procurement file and included in the documentation for payments to vendors.

Any questions or concerns relating to the legitimacy of activities in connection with U.S. export controls and sanctions should be promptly referred to the UMB department administrator or the MGIC VP Policy & Administration.

Special considerations for procurement

A few elements of the procurement process should be highlighted for all personnel involved. These are needing recognition, value for money, review and signatory approvals, sourcing locally and internationally, requirements associated with competitive procurement, and vendor selection, including lists of approved vendors. Guidance is provided for each of these below. Subsequently, the procedures for all steps in the procurement process are described in [Processes for procurement of goods and services](#), organized according to the value of the purchase.

Need recognition

Need recognition is the first step in the procurement process and should be given due attention, including by drawing up detailed technical specifications and indicating a clear business purpose (the relevance to the award/class) on the [Purchase Requisition \(PR\) Form](#).

Managers are responsible for recognizing procurement needs and initiating procurement requests far enough in advance that the goods and services may be provided in a timely manner and not disrupt or delay country office activity. This applies to procurement of both new items and services and those being reordered or restocked.

Value for money

MGIC follows the principle of achieving best **value for money** in any procurement. This means using financial resources in an optimally efficient and effective way to achieve the intended procurement outcomes. In all cases, the goods or services procured should meet the specified needs at the best possible price.

Review and approval

All expenditures require review and approval by a staff member with written authority to approve purchases. By signing and authorizing the expenditure, the approver is committing the organization to the terms and conditions of the procurement and committing funds. Their approval signature affirms that:

- The good or service is needed
- The procurement process meets the standards for competitive procurement, or the case for a sole-source procurement has been sufficiently documented
- The purchase is allowable, reasonable, and allocable to the funding source to be charged
- The lowest priced, technically acceptable option has been selected (achievement of value for money)
- The transaction is charged to the correct expense account and budgeted funds exist for the purchase
- The supporting documentation is complete
- The procurement procedures were followed
- No employee with a perceived or real conflict of interest was involved in the selection or approval of the procurement

A signatory approval, when given manually, must include the approver's printed name, title, full signature (not initials), and date of signing.

Sourcing

When goods and services are available in-country, MGIC should make the purchase locally if the costs are reasonable and in compliance with sponsor rules concerning source and/or origin of goods and services. In the case of USG-sourced funding, these rules may require giving preference to procurement of goods produced in the United States and prohibit procurement of products from certain countries.

Competition

All transactions must be conducted in a manner providing full and open competition consistent with MGIC standards. At all procurement levels, MGIC will award its business to the vendors who offer the best value for money, i.e., the lowest priced, technically acceptable goods or services.

Procurement without competition is authorized under limited conditions and subject to written justification documenting the conditions which preclude the use of a competitive process. See [Purchases totaling US\\$3,500 and higher](#) on documenting the sole-source justification to show that competitive bidding is impractical because only one product or vendor can meet a specific need.

Competitive bidding threshold: Purchases valued at US\$3,500 or higher (large procurements) must be competitively bid. The purpose of competitive bidding is to determine which vendor can offer MGIC the best value, quality, and service for the money. See [Vendor selection](#) for more information.

What should I be asking before signing off?

- Is this good/service needed? Do we already have this available in inventory?
- Does the description on the PR align with the project's objectives?
- Was a competitive process used?
- Is the procurement good value for money?
- Has this procurement been conducted in a fair, open, and transparent manner that complies with applicable policies and procedures?
- Is this good/service allowable? Do we need prior sponsor approval?
- Will the expenditure be charged to the correct funding source?
- Have we budgeted for this good or service?
- Are all the required documents attached, completed correctly, and signed by lower-level staff?

Competitive bidding is not required for direct purchases valued at less than US\$3,500 but is nevertheless encouraged. Prices paid for goods and services must be fair and reasonable, as determined by market research or objective judgement. MGIC offices should make an effort to obtain price lists from multiple vendors in order to assess the competitiveness of the pricing of any single vendor.

Publishing procurement solicitations: For large procurements (those totaling at least US\$3,500) and to the extent practical, MGIC should advertise solicitations in a manner that best meets the needs of the solicitation. Advertising is required for procurements valued at US\$100,000 or higher.

Split procurements are not allowed. It is not permitted to break up invoices or purchases to keep the amount below the competitive bidding threshold and bypass proper competition and approvals. It is also improper to split a purchase to fall into two different fiscal years.

The DFA should monitor buying patterns to detect split procurements as well as small purchases made to the same supplier at frequent intervals. If the office has a situation where making multiple small purchases in lieu of consolidating the requirements into a larger procurement can be justified, that justification should be documented.

Comparative bid analysis (CBA): Any procurement requires an analysis of cost and value. This generally means comparing vendor quotations, current market prices, and relative value, and assessing whether the cost is allowable and reasonable, and is allocable to a current award or other funding source.

The documentation for each procurement, no matter the value, should provide the criteria that MGIC used to select that vendor.

Where competitive bidding is required, MGIC obtains quotations from **at least three** different vendors. Where more vendors are available, MGIC seeks more than three quotations to ensure best value for money. The names of these vendors should be documented.

If fewer than three vendors are identified for procurement of a particular good or service, this fact should be documented in the procurement files:

- If only one vendor can meet the specifications of the request, the procurement lead and requestor complete a [Sole-Source Justification Form](#) (see [below](#)).
- If only one or two vendors respond and meet the specifications of the Request for Quotation (RFQ), an explanation for not having three or more qualified vendors is provided on the [Comparative Bid Analysis \(CBA\) Form](#).

Completion of a [Comparative Bid Analysis \(CBA\) Form](#) is required for procurements totaling US\$3,500 and higher and is suggested for all other procurements.

Vendor selection

Approved Vendors List: Each MGIC office must maintain an Approved Vendors List, which includes both prequalified vendors and new vendors added as appropriate.

- The Approved Vendors List should be kept current and include enough qualified sources to ensure open and free competition in procurement.

Prequalified vendors: MGIC offices are encouraged to use a process of prequalifying vendors for more rapid procurement of commonly needed goods and services, improved service levels, and cost optimization. Vendors who can provide the typical goods and services the office requires are asked to apply for status as a prequalified vendor.

Prequalified vendors - examples

- Hotel accommodations
- IT equipment
- Specific program supplies

If using a prequalification process, the office issues a Request for Pre-Qualification of Vendors (RPV) for a period of not more than two years. The RPV instructs bidders on how to submit a completed Vendor Pre-Qualification Questionnaire (PQQ) and describes how MGIC will evaluate their responses. A sample [Vendor Pre-Qualification Questionnaire \(PQQ\)](#) is provided in the [MGIC Forms Library](#).

The RPV should be refreshed every two years as a standard practice. MGIC may issue a new RPV anytime the office's or team's requirements for specific goods or services change, or if the local vendor market changes such that the existing list of pre-qualified vendors no longer offers the best efficiency or cost optimization. For example, a new RPV may be warranted if a pre-qualified vendor proves to be no longer qualified or reliable, leaving MGIC without sufficient options; or if new businesses emerge on the local market which may offer a competitive advantage for MGIC.

- In the event that a procurement requires using a new vendor – one that falls into a category on the office's list of prequalified vendors and that is not yet on the list – then the office must qualify that vendor before the vendor can earn the procurement. This occurs, for example, when a new hotel opens, or the CO becomes aware of a supplier that was overlooked.

Whenever quotations are required for a procurement, the office notifies the prequalified vendors and encourages them to submit a bid. If the office uses procurement software, the list of prequalified vendors in the database must be kept up-to-date, to avoid sending out bids to vendors who are not prequalified.

Non-price factors: When determining if a vendor's bid or proposal is acceptable, MGIC should consider price as well as non-price factors such as:

- Compliance with technical specifications
- Quality of the goods or services
- Accommodation of time schedules
- Delivery times
- Payment terms
- Guarantees, warranties, availability of spare parts, after-sales services and training
- Maintenance and operating costs
- Past experience and performance of the vendor in fulfilling procurement terms

Processes for procurement of goods and services

The processes described below are required for purchase of both goods (i.e., any merchandise, supplies, or commodities) and services (e.g., consultants, payroll processing, housekeeping, or lease of space).

Purchases valued at less than US\$200

MGIC should give priority to making payments via e-payments and checks, even for low-value purchases of goods and services. Use of petty cash should be minimized (see [Petty cash](#) in 5-12 Payment of Expenses). No matter what form of payment is contemplated, a completed and approved [Purchase Requisition \(PR\) Form](#) is required.

Purchases totaling US\$200.00-US\$3,499.99

At this level, procurements require a completed and signed [Purchase Requisition \(PR\) Form](#) and a procurement agreement. The agreement is typically in the form of a [Purchase Order \(PO\) Form](#) with attached terms and conditions. Competitive bidding is encouraged but not mandatory. The steps for these purchases are:

1. The requestor drafts a PR that describes the item to be purchased, the quantity, the cost, and the award and award year, and confirms that the procurement has been vetted and approved. A more thorough description of the item specifications is provided for technical procurements. All necessary supporting documentation is attached to the PR.

2. The requestor has the appropriate manager sign the PR to indicate approval, affirming that the purchase has a legitimate business purpose.
3. The completed PR is submitted to the procurement lead, who works with the requesting department to validate the authority for the purchase under the specified award. The procurement lead creates a file for the procurement and places the approved PR and all other relevant documentation therein.
4. The procurement lead provides the PR and supporting documentation to the finance team for review and for signature certifying the availability of relevant funds in the budget and assignment of the correct expense account to the procurement. Note: in the case of MGIC USA, a PR initiated by a UMB Funding Unit through its offline process will have already received budget approval before it is transferred to the procurement lead.
5. The procurement lead or other designated staff member conducts research to find the optimal vendor with fair and reasonable pricing. Prices from various vendors are documented and compared to validate fair and reasonable pricing.
6. The vendor that offers the best value for money is identified, and the procurement lead checks and confirms that the individual or entity (party) is not debarred by the U.S. government or excluded from receiving USG funds. The search results are documented in the procurement file. (See [Compliance with U.S. export controls and sanction laws](#).)
7. If not found on the USG lists, the vendor is selected, and the procurement lead completes the procurement agreement with the product specifications, quantities, and shipping instructions.
8. The DFA reviews and approves the procurement agreement.
9. Once the procurement agreement is signed by both parties, the procurement lead sends the original copy of the agreement to the selected vendor, one copy to the finance team, and one copy to the individual to whom the goods will be delivered or services provided. (The receiver may or may not be the person who initiated the procurement request – see [Receiving procedures](#).) The procurement lead keeps another copy of the executed procurement agreement on file.
10. The person who receives the purchased goods or services documents that they were received and forwards the documentation to the finance team to support payment. Note: in the case of MGIC USA, receipt of goods and services is provided by the UMB Funding Unit who requested the procurement.
11. The finance team prepares payment for the purchase only after the goods and services are received, inspected, and accepted by the designated receiver, the vendor's invoice is received and reviewed, the [Payment Voucher](#) is approved, and a check is made to ensure the invoice amount matches the procurement agreement and [Payment Voucher](#). The purchase is charged to the approved funding source.

Requirements for purchase orders

1. PO forms are always numbered and issued in sequential order, i.e., 1, 2, 3, 4, etc. It is never acceptable to issue POs out of sequence. PO numbers may not be used more than once.
2. The MGIC office attaches the **terms and conditions** document to each PO. The content of that document has previously undergone review by local legal counsel.

Note:

- Occasionally, vendors require a deposit or prepayment prior to delivery or performance. Deposits or prepayments may not exceed 50% of the total value of the procurement. See [Making payments](#) for procedures on how best to handle these situations.
- See [Standards for invoices](#) in 5-7 Financial Management Systems and Processes for specifications on documentation provided by vendors.
- If the balance available on the procurement agreement is insufficient, payment may not proceed. See [Making payments](#) for information on how to proceed.

Purchases totaling US\$3,500 and higher (large procurements)

For large procurements, an award is made within 10-30 days to the bidder offering the best value for money, i.e., the most favorable price that has been determined to be both responsible and responsive in meeting the requirements set for in the solicitation. Bids may not be evaluated on criteria other than those set forth in the solicitation documents. The steps for these purchases are:

1. The department placing the order defines the required specifications.
2. The requestor drafts a PR that describes the item to be purchased, the quantity, the cost, and the award and award year. A more thorough description of the item specifications is provided for technical procurements. All necessary supporting documentation is attached to the PR.
3. The requestor has the appropriate manager sign the PR to indicate approval, affirming that the purchase has a legitimate business purpose.
4. The completed PR is submitted to the procurement lead, who works with the requesting department to validate the authority for the purchase under the specified award. The procurement lead creates a file for the procurement and places the approved PR and all other relevant documentation therein.
5. The procurement lead provides the PR and supporting documentation to the finance team for review and for signature certifying the availability of relevant funds in the budget and assignment of the correct expense account to the procurement. Note: in the case of MGIC USA, a PR initiated by a UMB Funding Unit through its offline process will have already received budget approval before it is transferred to the procurement lead.
6. The procurement lead prepares a [Request for Quotation \(RFQ\)](#) that describes the request in writing with as many details as possible. The RFQ covers the following areas:
 - Product specifications (see [below](#))
 - Quantity

What about RFTs and RFPs?

While an RFQ is most commonly used for MGIC procurements, the CO may choose to issue an RFT or RFP instead. Here's the difference:

- An RFQ is used when MGIC has clearly defined criteria or specification and will judge primarily on price.
- A Request for Tender (RFT) may be used in the same circumstances, but MFI will judge on both price and qualitative factors.
- A Request for Proposal (RFP) may be used when MGIC is looking for solutions-based submissions to meet needs (often with professional services).

- Dates needed
- Destination (delivery address)
- Terms of sale (e.g., vendor to include delivery in the price)
- Any special packaging, handling, or labeling
- Requirement that the vendor state origin of goods
- Submission requirements: due date, where to send the quote, contact person
- Program/award information

Brand names on solicitations

It is not permissible to require one specific brand. If there are no acceptable equivalents, approval must be obtained on a [Sole-Source Justification Form](#). Competition must then be sought if the item is available from multiple vendors.

7. The RFQ and award information are submitted to the appropriate manager, who approves the RFQ.
8. The procurement lead places the approved RFQ in the procurement file.
9. The procurement lead prepares the process for the invitation to bid and identifies where the office will place advertisements, if applicable. RFQs for procurements valued at US\$35,000 or higher are advertised if timing permits, and those valued at US\$100,000 or higher are publicly advertised.
10. The procurement lead, sometimes with the support of the requesting department, identifies **at least three** vendors who can provide estimates.
11. The procurement lead issues the RFQ. The procurement is published or advertised in a manner that best meets the needs of the solicitation.
12. When an RFQ is publicly advertised, additional measures are required to assure the integrity of the competitive procurement. Specifically, each bid is date-stamped when received, signed by the receiver and a witness, and stored in a secure location until the due date. Bids shall be opened with witnesses present, and the procurement lead shall ensure that all bids were received prior to the published due date. For bids that lack key information, including a date, the receiver and witness may reject the bid or request clarification from the vendor. A sample [Bids Opening Log](#) is provided in the [MGIC Forms Library](#).
13. After the due date for quotes has passed, the procurement lead prepares the [Comparative Bid Analysis \(CBA\) Form](#), which includes a review of price, conformance to specifications, timing, and other pertinent details of the bids.
14. For procurements valued at US\$10,000 and higher and for other non-routine procurements, the procurement lead convenes a meeting of a procurement committee. That committee has not fewer than three voting members and includes at least one individual fully familiar with the product or service to be procured. (See [Procurement committees](#) for more information.)

Obtaining product samples

If samples are needed to verify the nature and quality of the product, MGIC:

- Obtains samples of the items to be procured and ensures they conform to the product specifications
- Approves the final sample in writing, especially in the case of printed materials
- Upon delivery, compares the goods received to the samples provided

Conflict of interest

It is not permissible for individuals with a potential or existing conflict of interest to participate in the meeting in which a vendor is chosen.

15. The procurement committee reviews the quotes and chooses a vendor. The procurement lead records on the CBA the reasons for the selection, based on the evaluation criteria defined in the solicitation (see [Selection criteria for evaluation of bids](#) below).
16. The procurement lead checks and confirms that the individual or entity (party) is not debarred or excluded from receiving USG funds. The search results are documented in the procurement file. (See [Compliance with U.S. export controls and sanction laws](#).)
17. If the chosen vendor is not found on the excluded parties lists, the DFA proceeds. The DFA reviews the procurement documentation and, if the value is less than US\$5,000, provides final procurement approval. If valued at US\$5,000 or greater, the DFA prepares a [Procurement Evaluation Report/Memo](#) and submits the full procurement documentation for UMB department administrator approval. If the value is US\$10,000 or greater, the approval of the MGIC President is also obtained.
18. Upon receipt of the approval(s), the procurement lead notifies the selected vendor and completes the procurement agreement with the product specifications, quantities, and shipping instructions.
19. The appropriate manager verifies the procurement agreement for accuracy, the DFA reviews it, and both parties sign the agreement.
20. The procurement lead sends the original copy of the agreement to the selected vendor, one copy to the finance team, and one copy to the individual to whom the goods will be delivered or services provided. (The receiver may or may not be the person who initiated the procurement request – see [Receiving procedures](#).) The procurement lead keeps another copy of the executed procurement agreement on file.
21. The goods or services are received, inspected, compared to samples (where applicable), and accepted by the designated receiver if delivery meets specification. Goods or services may be rejected under certain conditions - see [Receiving procedures](#). The receiver ensures the receipt is documented and forwards this documentation to the finance team to support payment.
22. The finance team prepares payment for the purchase only after the goods and services are received, inspected, and accepted by the designated receiver, the vendor's invoice is received and reviewed, the [Payment Voucher](#) is approved, and a check is made to ensure the invoice amount matches the procurement agreement and [Payment Voucher](#). The purchase is charged to the approved funding source.

Note:

- Occasionally, vendors require a deposit or prepayment prior to delivery or performance. Deposits or prepayments may not exceed 50% of the total value of the procurement. See [Making payments](#) for procedures on how best to handle these situations.
- See [Standards for invoices](#) for specifications on documentation provided by vendors.
- If the balance available on the procurement agreement is insufficient, payment may not proceed. See [Making payments](#) for information on how to proceed.

Specifications for solicitation of bids

All solicitations must incorporate a clear and accurate description of the technical requirements for the material, product, or service to be procured.

- Such description must not contain features which unduly restrict competition.
- The description may include a statement of the qualitative nature of the material, product, or service to be procured and, when necessary, must set forth those minimum essential characteristics and standards to which it must conform, if it is to satisfy its intended use.
- When it is impractical or uneconomical to make a clear and accurate description of the technical requirements, a “brand name or equivalent” description may be used as a means to define the performance or other salient requirements of procurement. In such cases, the solicitation must clearly state the brand name’s specific features that the bids/proposals must meet.

All solicitations must identify all requirements which the offerors must fulfill and all other factors to be used in evaluating bids or proposals.

- Solicitations should indicate that MGIC evaluates bids using the principle of value for money. They should specify whether the procurement agreement will be awarded based upon (1) lowest price from those competitors who achieve the minimum technical requirements or (2) a combination of lowest price and best scoring based upon established technical criteria (e.g., experience, market presence, professional standards, resources).

Selection criteria for evaluation of bids

The selection criteria for a large procurement should be set by the requesting department (usually the program/technical team) and should follow the requirements laid out in the RFQ. Typical criteria against which vendors are scored are cost, availability, experience, and quality (see [Vendor selection](#)).

MGIC offices should use a score sheet such as the [Score Sheet for Procurement \(Sample\)](#), especially in the case of service procurements where the deciding factor may not be price. The [Procurement Evaluation Report/Memo](#) provides the format for documenting the selection criteria, weighting, and ratings. Its use is required for all procurements submitted for approval.

Sole-source justification – procurements US\$3,500 or higher

MGIC must make a reasonable effort to obtain at least **three** bids for a procurement valued at US\$3,500 or higher. Acceptable reasons for sole sourcing are:

- The supplier is absolutely the only source of the required goods or services.
- Services, requirements, or product specifications can be met by only one vendor.
- Compatibility or standardization of existing supplies or systems is necessary and justified, including to meet technical requirements.
- Other suppliers did not respond to the solicitation, despite a good-faith publicity effort.
- Program consultants and other independent contractors for whom UMB has received prior approval in writing from a sponsor, or who are provided for in UMB’s award agreement. MGIC procurement leads must consult the UMB department program lead to identify any prevailing prior approval for sole source procurement of consultant services before developing a competitive solicitation.

Procurements with sole-source justifications are presented on the [Sole-Source Justification Form](#) and accompany the [Comparative Bid Analysis \(CBA\) Form](#), which also provides an explanation for not having three or more qualified vendors.

As with all procurements valued at US\$5,000 or higher, UMB approval is required. The UMB department administrator will give special attention to reviewing sole-source justifications prior to giving that approval.

Making payments

Upon receiving an approved invoice and [Payment Voucher](#), the finance team processes the payment if all is in good order and the balance on the procurement agreement is sufficient. A receipt for payment is acquired and placed in the procurement file.

Paying in local currency: Procurements should be made in local currency whenever possible.

Prepayments to vendors: Whenever possible, MGIC shall pay for goods and services only after the goods or services have been received. However, vendors may occasionally require payments prior to delivery or performance. Examples include when a vendor requires a deposit to hold a facility for an upcoming event or when a vendor requires a partial payment up front for a very large procurement such as a vehicle.

Whenever possible and legitimate, such transactions shall be treated as direct payments from an accounting perspective. However, when necessary, a prepayment not to exceed 50% of the total value of the procurement may be made and recorded as a prepayment. All the usual procurement reviews and approvals are required for prepayments.

MGIC should carefully monitor prepayments until the transaction is complete. Any taxes due to government entities that are required to be paid by the purchaser shall be withheld from the prepayment as well as from all subsequent payments.

Insufficient balances on procurement agreements: If the balance available after prior invoices have been applied against the procurement agreement is not sufficient to cover the payment, the finance team may not proceed. They reject the request and inform the manager(s) who approved the payment and the procurement lead.

The manager may choose to withdraw the payment request or may initiate processing of a [Change Order Purchase Requisition Form](#). Similarly, if the invoice includes goods or services not in the procurement agreement, payment may not proceed unless the procurement agreement is amended through submission and approval of a [Change Order Purchase Amendment Form](#). For more information, see [Change orders](#) below.

Paying taxes

MGIC offices are required to pay a variety of taxes, including those related to consumption (procurement) and others related to payroll. Taxation structures and requirements may change over time, making it important that the DFA regularly monitor the requirements and ensure the country office complies with timely and accurate payments.

The MGIC USA office is required to comply with relevant requirements of the US Internal Revenue Service (IRS), including the collection and processing of income tax withholding and exemption forms for foreign and US vendors paid through MGIC USA, and the filing of required tax reports. MGIC may have a legal status in certain countries that provides exemption from paying value-added taxes (VAT) that are levied at the time of the sale of goods and services. Under [USG Uniform Guidance](#), if the MGIC office has such exemption and pays VAT, it is required to seek reimbursement of those tax payments. In such situations, the office must have procedures in place to:

- Track VAT paid
- Submit requests for VAT reimbursement
- Document its efforts to obtain reimbursement
- Monitor reimbursements received
- Record the transactions in the accounting software

Receiving procedures

MGIC offices should have clear procedures in place for receiving goods and for documenting that goods were received, and services were rendered.

In the case of receipt of **goods**, the receiver should:

1. **Check quantity:** Ensure the number of pieces (parcels or cartons) received matches the number indicated on the invoice or waybill. If there is a difference and nevertheless MGIC accepts the goods, document the reason for accepting the goods and have both the requestor and procurement lead sign; also make a notation on both the MGIC copy of the invoice/waybill and the delivery person's copy, and have both notations signed and dated by the delivery person.
2. **Check for damage:** Check each piece for damage. If there are dents, heavy scrapes, or crushed corners, note this on the waybill and notify the requestor and procurement lead. If the packaging is dented or torn to the extent that the contents may be damaged, open it before signing the paperwork. Note any damage on the paperwork as described above. If the decision is to accept the goods, make a notation about the damage on both copies and have the delivery person sign and date the notation.
3. Retain the signed copy of the waybill as per the office's standard operating procedure.
4. Unpack the goods immediately after delivery. Check the contents of each piece against the packing slip and check the packing slips against the specifications in the procurement agreement. Where applicable, check for discrepancy between the approved sample and supplied goods. Check for damage or missing items. If possible, conduct the unpacking with the participation of a person familiar with the goods received.
5. Closely document the receipt of goods and forward it to the finance team for the payment file. Confirm amounts received match those on the procurement agreement. Submit a delivery slip or a completed [Goods and Services Received Note](#). In the case of

What is a waybill?

A waybill is a document issued by the shipper and carried by the delivery person containing the details and instructions relating to the shipment of goods being received.

Damaged or missing goods?

Do not delay in reporting the problem to the vendor. Quick reporting will increase the chances of obtaining replacements or missing items from the vendor.

Remember, MGIC has the right to return all goods to a vendor, when some of the goods are damaged or not delivered, and to solicit the goods from another vendor who submitted a bid.

MGIC USA, receipt of goods and services is provided by the UMB Funding Unit who requested the procurement.

6. If there is damage and the decision is to reject the goods, return the goods and obtain a signed receipt from the shipping company.
7. If the delivery is incomplete, whether due to missing or unavailable items, obtain the procurement lead's approval to receive the partial delivery of goods. Document clearly what is missing and the timeframe in which the completion of the order must happen.

The finance team checks that the information on the receiving documentation matches up with the procurement agreement and payment information.

If the goods purchased have an acquisition cost of US\$5,000 or more or fall into the category of non-capital assets requiring identification and tracking, the items shall be added to the MGIC office's [Inventory Register](#). See [3-6 Property Management](#) for details on managing the inventory of assets.

In the case of **receipt of services**, final payments are issued only after the manager submits a completed [Goods and Services Received Note](#) indicating the satisfactory completion of the work.

Purchase framework agreements

A [Purchase Framework Agreement \(PFA\)](#) is a long-term agreement between MGIC and a vendor or service provider to fill repetitive needs that MGIC has for certain goods and services. PFAs have the advantage of reducing paperwork and otherwise saving administrative time in procuring regularly used goods and services. They can also reduce costs by qualifying the country office for quantity discounts.

Content: Each PFA addresses the frequency of ordering, invoicing, discounts, quantities, and delivery locations, as well as points of contact. It has a clearly indicated end date, which is no more than one year from the agreement's start date.

Terms and conditions: The MGIC office attaches to each PFA a document with terms and conditions. The content of that document has previously undergone review by local legal counsel.

PFA examples

MGIC may choose to establish a PFA with negotiated price rates for:

- Patient record forms
- Lab and medical consumables such as gloves, pipette tips, isopropyl alcohol, absorbent pads
- Printer paper and other office consumables
- Electricity/utility supply
- Hotel and conference facilities

Selection: To determine best value for an agreement, MGIC considers the following factors in addition to price:

- Past performance of the supplier or service provider
- Special features of the supply or service required for effective program performance
- Quality of the supply or service (life of the item selected compared with that of a comparable item)
- Pricing validity period
- Warranty terms
- Maintenance availability

- Delivery terms

Procurement under a PFA: The procurement process for a PFA is much the same as for other types of purchases. A PR and a PO are required for each transaction. If goods are delivered to the office, the delivery slip or a completed [Goods and Services Received Note](#) is filed with the vendor's invoice and [Payment Voucher](#), as with any procurement.

Procurement agreement review, including renewals

The following procedures do not apply to employment agreements, which are covered in [4-Human Resources](#).

Authorities: The CD/CR may execute procurement agreements with a total value less than US\$5,000. Copies of these agreements are provided to UMB as part of the Monthly Financial Report documentation supporting expenses under those agreements.

The CD/CR may execute other procurement agreements, such as contracts for routine administrative or operational services, with **prior written authorization** from the MGIC President.

Special considerations for construction and refitting contracts: MGIC may have program activity that involves constructing or refitting facilities such as a health clinic or laboratory owned by another entity, usually the Ministry of Health. Such contracts, regardless of amount, require prior UMB Funding Unit and sponsor approval and are subject to specific sponsor restrictions – see [6-5 Subaward Implementation](#).

Special considerations for multi-year commitments: MGIC offices may occasionally encounter situations where entering into a multi-year financial commitment offers significant advantages, such as in the case of a multi-year space lease. Multi-year commitments may be justified because of the guarantee of significantly reduced rates, or out of necessity because of prevailing market practices, or under other circumstances related to, for example, staff security or specialized equipment.

If MGIC is considering entering into a multi-year commitment, the DFA should send the UMB department administrator a written justification with appropriate supporting documentation prior to completing the procurement process. The UMB department administrator reviews and provides written approval for the country office to complete the procurement process.

Legal review: Most procurement agreements require review by local legal counsel at MGIC office expense, to ensure that MGIC liabilities are limited, and rights maximized.

Legal reviews are conducted prior to using a procurement agreement for the first time. If a new procurement agreement is drafted using the **same language** as an agreement previously reviewed, the office may forego the legal review **if**:

1. The prior legal review took place less than one year ago, in the case of a **lease, or**
2. The prior legal review took place less than two years ago, in the case of a **contract for goods and services**.

However, in all cases, the new procurement agreement is also subject to the applicable review and approval requirements established by dollar threshold level, as described above.

Amendments and modifications: Amendments and modifications to procurement agreements must be reviewed and approved through the same process as the original agreement. See [Change orders](#) below for more guidance.

Renewal options: Service contracts and PFAs may include options to renew at the expiration of the contract period. Requirements for renewals are:

1. The renewal period must be defined in the RFQ. For PFAs, only one renewal for a total of two years' duration is permitted.
2. Any conditions for renewing the agreement must be stated in the contract terms.
3. The procurement lead must document the renewal with an amendment or modification signed by both parties.
4. A price comparison must be done to ensure that the rate obtained in the renewal year is comparable to the current market rate for similar services.

An expiring service contract or PFA without remaining renewal options **must be rebid** in accordance with the usual procurement procedures.

Procuring and managing independent contractors

Independent contractors, also referred to as **consultants**, are individuals or firms engaged to provide services in a role that is clearly differentiated from an employee role, as laid out in [4-5 Categories of Personnel](#). MGIC Policy prohibits compensating employees as consultants.

Sponsor requirements: Procurements of consultant services using sponsored-project funding generally require the sponsor's prior approval. This is particularly the case with program consultants who provide technical expertise or deliverables that are core to the approved program outcomes. In the case of USG-funded procurement for **construction and refitting contracts**, sponsor approval of the independent contractor is also required and additional stipulations apply – see [6-5 Subaward Implementation](#) for details.

When a consultant or contractor has been specifically provided for in the project proposal or award agreement, a sole-source procurement is required. A competitive procurement process should not occur if a consultant or contractor has already been approved in a UMB award agreement, unless a replacement service provider is needed to perform the scope of work.

If the UMB Funding Unit has not received prior approval from a sponsor for an identified individual consultant or firm to undertake an approved consultancy and has not submitted documentation from the sponsor to the MGIC office accordingly, MGIC must follow its policy and procedures for a **competitive procurement** for the desired services.

If prior approval for a consultancy or contract is required according to the terms and conditions of a sponsor award, the UMB Funding Unit must obtain and produce such approval in writing before the MGIC office may issue a contract for services. Failure to secure prior approval may place UMB in violation of its award agreement, and the cost of the service may be disallowed.

Procuring and managing consultants: When entering into contracts for services with independent contractors or consultants, the following procedures are important for mitigating financial and legal risk and for optimizing performance:

- MGIC or the UMB Funding Unit confirms the scope of work is appropriate to a consultant and is not work that should be performed by an employee. See [4-Human Resources](#) for more information about the difference between a consultant and an employee.
- MGIC affirms that the scope of work and cost is in an **approved budget**.
- The UMB Funding Unit affirms whether a specific consultant or contractor has already been proposed and received prior approval from the sponsor in the award agreement. If so, MGIC must execute a sole-source procurement, with the sponsor's prior approval as the justification.
- In all other cases, including the need to replace a previously-approved service provider, MGIC conducts a **competitive procurement** for the desired services. Under MGIC's competitive procurement policy, a sole source may be justified in certain circumstances and should be documented in the [Sole-Source Justification Form](#).
- MGIC uses the [Contract for Services of an Independent Contractor \(Template\)](#) to create a country-specific consulting agreement, and has local legal counsel review that version each time the office makes substantive changes to it.
- If the value of the procurement is US\$5,000 or higher, MGIC submits the procurement to UMB for **review, approval, and execution signature** as indicated in MGIC's procurement approval thresholds.
- Each contract for consulting services includes a clear Scope of Work or Terms of Reference that describes the activities, services, reports, and deliverables to be provided. Payments are tied to those deliverables and must not base solely on hours or days that represent level of effort. The contract also includes clauses related to intellectual property, confidentiality, conflict of interest, and, where applicable, the terms and conditions that apply from the sponsor award that is funding the consultancy (typically USG regulations).
- The UMB Funding Unit must obtain prior approval from the sponsor if required under the award terms and conditions, before MGIC may issue a contract for services following a competitive procurement process.
- Prior to executing the contract, the procurement lead checks and confirms that the individual or entity (party) is not debarred or excluded from receiving USG funds (if relevant). (See [Compliance with U.S. export controls and sanction laws](#).)
- Agreements are **amended** any time MGIC changes the nature, scope, or duration of the services the consultant will provide, as well as to reflect other changes such as to the vendor information or compensation amount.
- A **file** is maintained for each independent contractor. Any concerns with the contractor's performance are documented.
- The MGIC office assigns a senior-level staff member to serve as **manager** for each independent contractor. That person directs and supervises the work and authorizes each payment to indicate the work was completed satisfactorily.

Paying consultants: Following are the steps required prior to authorizing a payment:

- The independent contractor (consultant) sends an invoice that complies with the terms in the contract.
- The manager reviews the percent/portion of actual work completed against the services invoiced by the consultant. By approving the payment, the manager is affirming that the work was acceptable and satisfied the terms of the agreement.
- The finance team checks the contract to see whether it requires tax withholding, and if it does, affirms that the invoice accurately reflects the withholding.
- Final payments to independent contractors are issued only after the manager submits a completed [Goods and Services Received Note](#) or other documentation indicating the satisfactory completion of the scope of work.

- When MGIC USA has issued an independent contractor agreement on behalf of a UMB Funding Unit, the authorized representative of the Funding Unit reviews and accepts or rejects the deliverables produced and instructs MGIC USA to make payment on behalf of UMB.

Change orders

Any amendment to an open contract requires submission of a [Change Order Purchase Requisition Form](#). This includes modifications to the quantity of goods, nature of services, value of the agreement, period of validity, award/class, and shipping or billing information.

Change orders should clearly show the terms that have been amended and provide specific information about the relevance to the project of making such amendments. After a [Change Order Purchase Requisition Form](#) is approved, a [Change Order Purchase Amendment Form](#) is processed to amend the contract. Change orders to amend a contract are subject to the same approvals as the original contract. The terms and conditions are attached to the change orders and they are signed by both parties to indicate that both parties are in agreement with the amendments.

If preparing a change order that increases the procurement amount over an established threshold, MGIC must complete the requirements for the higher procurement level as part of that process. If the procurement is valued at US\$5,000 or higher, the change order requires UMB approval by an authorized approver.

If preparing a change order for a procurement opened in a prior award year, MGIC should prepare a new requisition that indicates the award/class to be charged in the new award year.

If preparing a change order for a procurement opened more than 30 days ago, the office once again checks and confirms that the chosen vendor is not debarred or excluded from receiving USG funds. The search results are placed in the procurement file.

Price comparisons: In certain cases, new price comparisons are needed prior to processing change orders, especially in the case of retrofit projects.

- For example, if adding materials not included in the original procurement agreement (no previous quote given), the pricing for those materials should be evaluated in the marketplace to ensure that the vendor is providing the lowest price.
- In the case of a service provider whose contract was initiated some time ago, the country office may test the market to see if the cost for that type of service has changed.
- If the scale of the procurement has changed, MGIC may carry out a price comparison to ensure the vendor is still offering the lowest price.

Price comparisons are documented on a new [Comparative Bid Analysis \(CBA\) Form](#), with information entered only for the new goods or services to be purchased.

Record retention

All procurement records – including price quotes and [Comparative Bid Analysis \(CBA\) Forms](#) – must be retained by the MGIC office. The records must be adequate to meet legal, audit, and sponsor requirements and to demonstrate by written evidence that appropriate processes were undertaken in the proper sequence, authorized by personnel with the requisite authorities, and appropriately approved.

The required retention period depends on a number of factors, including type of record and audit requirements. MGIC's policy is that records must be retained and protected for the longest period of those required by the sponsor, UMB, and applicable government laws. See [3-13 Record Retention and Access](#) for details.

Checklist for CDs/CRs

- ☐ Ensure all MGIC personnel, including those involved in the procurement process, closely follow the [MGIC Code of Ethics and Professional Conduct](#)
- ☐ Monitor that personnel do not benefit personally from procurements and avoid improper or unlawful conflicts of interest and conflicts of commitment
- ☐ Report to UMB any fraud, bribery, fiscal irregularities, and similar violations of policy
- ☐ Only enter into contracts with the vendors who offer the best value for money
- ☐ Ensure that prior to contractor/vendor selection, a check is performed to confirm that the individual or entity (party) is not debarred or excluded from receiving funds from the US
- ☐ Comply with competitive procurement requirements for all purchases, with due attention to procurements valued at US\$3,500 and higher
- ☐ Have the procurement lead form and convene procurement committees as required by these procedures
- ☐ Ensure that procurements are approved as required for each procurement level and in accordance within current signature authority delegations
- ☐ Submit procurements of US\$5,000 or greater to the UMB department administrator, and to the MGIC President for procurements of US\$10,000 or greater.
- ☐ Ensure all procurement agreements are in accordance with MGIC policy, relevant financial, legal, and sponsor requirements, and budgeted and available funds
- ☐ Ensure only authorized persons execute procurement and other legally binding agreements
- ☐ For each independent contractor, have a signed consulting agreement that provides a clear scope of work and deliverables to be provided, and tie payments to deliverables
- ☐ Ensure prior approval requirements are followed prior to issuing any independent contractor (consultant) service contract that requires such approval, and that sole source procurement processes are followed if prior approval has already been obtained through UMB's proposal and award.
- ☐ Establish clear procedures for receiving goods, including checking quantity and for damage, filing documentation, and, when applicable, adding to the country office's [Inventory Register](#)
- ☐ Ensure that approved change orders are submitted for any amendment to an open procurement agreement, including for modifications to the quantity of goods, nature of services, or value
- ☐ Retain adequate procurement records for three years or the period of time specified in the applicable award terms, whichever is longer

Key references

- [Bids Opening Log \(Sample\)](#)
- [Change Order Purchase Amendment Form](#)
- [Change Order Purchase Requisition Form](#)
- [Comparative Bid Analysis \(CBA\) Form](#)
- [Conflict of Interest Disclosure](#)
- [Contract for Services of an Independent Contractor \(Template\)](#)
- [Goods and Services Received Note](#)

- [Inventory Register](#)
- [Payment Voucher](#)
- [Procurement Evaluation Report/Memo](#)
- [Purchase Framework Agreement \(PFA\)](#)
- [Purchase Order \(PO\) Form](#)
- [Purchase Requisition \(PR\) Form](#)
- [Request for Quotation \(RFQ\)](#)
- [Score Sheet for Procurement \(Sample\)](#)
- [Sole-Source Justification Form](#)
- [SOP for Procurement Committee](#)
- [Vendor Pre-Qualification Questionnaire \(PQQ\) \(Sample\)](#)
- [2-Ethics and Conduct](#)
- [2-2 MGIC Code of Ethics and Professional Conduct](#)
- [2-3 MGIC Conflict of Interest Policy](#)
- [3-Administration and Operations](#)
- [3-7 Property Management](#)
- [3-12 Record Retention and Access](#)
- [4-Human Resources](#)
- [4-5 Categories of Personnel](#)
- [5-4 Signature Authorities](#)
- [5-12 Payment of Expenses](#)
- [6-Award and Subaward Management](#)
- [Ethics Hotline](#)
- [USG Uniform Guidance](#)

5-16 Financial Reporting to UMB

Policy statement

MGIC is required to submit complete, accurate, and timely financial reports. Specific requirements include:

- The finance team must verify the accuracy of the entries in the accounting software.
- The finance team must follow the month-end closing procedures.
- The CD/CR or DFA must raise substantive financial issues in the [Cover Message for the Monthly Financial Report](#), or earlier if appropriate.
- The CD/CR or DFA must confirm that the MGIC office's overall financial state is sound.

MGIC uses the Modified Cash Basis of accounting (a combination of the cash and accrual bases) for annual reporting and preparation of financial statements. The cash basis of accounting is used to record transactions, excluding staff advances which are expensed upon retirement, with year-end accrual adjustments for prepayments and liabilities.

Month-end closing procedures

MGIC financial reporting takes place on a monthly basis. If MGIC has sub-offices, those sub-offices also operate on the monthly financial cycle. Sub-offices submit monthly reports that may be as simple as a reconciliation report for the monthly advance provided by the main office.

Once the DFA has reviewed and approved the financial data for the month, the month is officially closed – no later than the **7th calendar day** of the subsequent month – and the finance team may not change that month's transaction data. See [Correcting entries \(journal entries\)](#)

in 5-7 Financial Management Systems and Processes for procedures on making journal entries to correct entries made in a previous month.

Financial reporting deadlines

7th calendar day of new month – Month-end closing report and associated documentation

15th calendar day – Quarterly and annual reports

20th calendar day – Supporting documentation

Monthly financial reports are submitted in three segments, as laid out below. Submission of monthly financial reports according to established deadlines is essential to ensure timely fulfillment of a country office's RIF replenishment request and sufficient operating funds.

Monthly financial report submission package

First submission – due on the 7th calendar day:

1. [Cover Message for Monthly Financial Report](#): submitted by the CD/CR or DFA and highlighting major changes, outstanding items, and other financial issues and concerns
2. Month-end closing report
3. Monthly transaction data via MGIC's preferred accounting software (e.g., QuickBooks file)
4. [Request for Reimbursement of In-Country Expenditures \(RIF Replenishment\)](#)
5. Bank statements
6. [Bank Reconciliation Statements](#): one per bank account, signed
7. Reconciled payroll register: documentation showing that what was paid out for payroll aligns with (1) time and attendance data and (2) employee pay rates
8. Open encumbrances report: including any issues with procurement agreements and the open balances remaining against them, with open values certified by the account's payable manager, and with detailed notes to support balances more than 30 days old
9. Outstanding advances report: with detailed notes supporting balances not reconciled within 60 days of issuance
10. [Mobile-Money Trust Account Reconciliation Statement](#), where applicable (see [5-12 Payment of Expenses](#))

Second submission – due on the 15th calendar day:

11. [Quarterly Expenditure Projection Form\(s\)](#): updated monthly
12. [Service Contracts Tracking Sheet](#): quarterly, with the March, June, September, and December monthly reports (see [Quarterly financial reporting](#) below)
13. [Inventory Register](#): with the June financial report
14. [Insurance Portfolio Annual Report](#): with the June financial report
15. Annual Report of Banking and Mobile Money Accounts and Authorities: with the June financial report
16. Annual Report of Administrative Privileges for the Accounting Software: with the June financial report
17. Annual Fiscal Year Close: with the June financial report

See [Annual closing procedures and reporting](#) below for more information on these last five submission requirements.

Third submission – due on the 20th calendar day:

18. Supporting documentation: including documentation for each transaction in the report and [Personnel Action Forms](#) (PAFs) with payroll reports

Special note: Depending on the structure and scope of the MGIC office or team, some components of the complete monthly financial report package shown above may not be relevant.

Verification by the CD/CR or DFA

The CD/CR or DFA is responsible for verifying the accuracy and completeness of the office's financial data, which includes:

- All transactions have been recorded and are accurate.
- All expenditures can be verified.
- All costs were authorized and are allowable.
- Advances outstanding past 60 days are documented and explained.
- Advances and expense reports are correctly recorded.
- Expenditure projections reflect the latest program information.
- Bank reconciliations are correct.
- All expenses have been charged to the correct expense account.
- Petty cash expenses and replenishments have been properly recorded.
- The payroll register reconciliation is accurate.
- All monthly, quarterly, and annual financial report forms have been completed correctly and included with the submission package.

Personnel Action Forms (PAFs)

- **Managers** are responsible for initiating PAFs for any change to an employee's status, including hiring, rate of pay, title, reduction or increase in hours, duty station, and separation.
- The **HR lead** is responsible for providing the finance team with copies.
- The **finance team** is responsible for including PAFs as supporting documentation for payroll changes.

UMB review

The UMB Funding Unit finance team(s) conduct a similar verification process of the monthly financial report and communicate with the MGIC office finance team any questions or issues that arise. The MGIC finance team should respond promptly to these communications to resolve any outstanding matters before the end of the subsequent month.

Reimbursement of in-country expenses

Monthly financial reports by MGIC country offices include a completed [Request for Reimbursement of In-Country Expenses \(RIF Replenishment\)](#) which triggers the monthly replenishment of the country office's RIF up to its maximum balance. The amount of the replenishment is equal to the country office's total cash expenditures during the reporting period, as verified by the DFA, and is made in US dollars.

The UMB Funding Unit processes the replenishment request and forwards it to UMB's Office of Sponsored Projects Accounting and Compliance (SPAC) for review and approval, which in turn forwards the cleared reimbursement request to the UMB Department of Financial Services. The

MGIC country office may expect to receive the electronic transfer of replenishment funds on or before the 1st calendar day of the next month.

Funds from UMB arrive in the country office's USD account. As cash is needed, the country office transfers funds to its local currency account at the day's prevailing exchange rate.

Reimbursement of MGIC USA expenses

MGIC USA maintains a bank account, supported by a cash float loan from UMB, that is utilized to pay expenses for UMB Funding Units implementing research, education, or service activities outside the US. In addition to obtaining internal MGIC approval through a Payment Voucher Form, MGIC USA also obtains a signed Payment Authorization Form from the requesting UMB Funding Unit as part of the required supporting documentation package. ([See 5-12 Payment of Expenses](#)). The Payment Authorization Form instructs MGIC USA to make the payment and confirms the UMB Funding Unit will reimburse MGIC USA from its project budget.

Following payment, MGIC USA prepares an MGIC Invoice to the UMB Funding Unit, attaching proof of payment and the previously signed Payment Authorization Form, to claim reimbursement and replenish its bank account balance. The UMB Funding Unit processes the reimbursement through UMB's Non-PO mechanism for payment through the State of Maryland Treasury, or alternately may issue a check from a UMB Foundation or other affiliated source of funds.

See MGIC USA's standard operating procedures for Finance on the [Global Hub](#).

Quarterly financial reporting

On a quarterly basis, the MGIC office is encouraged to submit an up-to-date [Service Contracts Tracking Sheet](#). The submission accompanies the monthly financial reports for March, June, September, and December.

Annual closing procedures and reporting

On an annual basis at the end of the UMB fiscal year (June 30th), MGIC must complete tasks associated with closing out the financial year, including but not limited to:

- Year-end cash count exercise and certification
- Reconciliation of severance/gratuity/pension schedules to ledger balances (if applicable)
- Annual physical inventory verification of capital and designated non-capital equipment (see [3-7 Property Management](#) for the requirements)
- Annual review of insurance coverage (see [3-6 Insurance](#) for the requirements)

The MGIC office submits the following items with the June monthly financial report:

1. [Inventory Register](#)
2. [Insurance Portfolio Annual Report](#)
3. **Annual Report of Banking and Mobile Money Accounts and Authorities:** The office provides an accounting of authorities as follows:

- Documentation obtained from the bank that lists authorized signatories on each account and each person's authority level
- A listing of all personnel with access to online bank portals, with each person's permissions (the types of access they have, such as view-only, review, approve) and each person's authority level
- Documentation obtained from the mobile-money service provider that lists the names and authority levels of personnel on the account
- A listing of personnel with access to mobile-money transaction systems, with each person's permissions (e.g., view-only, review, approve) and each person's authority level, if applicable

The documentation from banks and mobile-money service providers should be presented on their official letterhead with stamps or other indications verifying the documents' authenticity.

4. **Annual Report of Administrative Privileges for the Accounting Software:** The MGIC office provides a listing of personnel with access to the office's accounting software, with each person's permissions (e.g., view-only, review, approve) and each person's administrative privileges.
5. **Annual Fiscal Year Close:** The office processes year-end journal entries to account for any accruals in the June monthly financial report and verifies all balances. Such entries are done in consultation with the UMB department administrator and are set up to reverse the following fiscal year.

Checklist for CDs/CRs

- ☐ Take full responsibility for submitting a cover message with each financial report and use it to confirm the office's overall financial state and to raise substantive financial issues
- ☐ Verify the accuracy, completeness, and timeliness of monthly financial reports submitted to the UMB department administrator
- ☐ Ensure the office submits reports required on an annual basis with the June monthly financial report, including the country office's up-to-date [Inventory Register](#)
- ☐ Ensure the finance team follows month-end, quarter-end, and year-end closing procedures and verifies the accuracy of the entries in the accounting software

Key references

- [Bank Reconciliation Statement](#)
- [Cover Message for Monthly Financial Report](#)
- [Insurance Portfolio Annual Report](#)
- [Inventory Register](#)
- [Mobile-Money Trust Account Reconciliation Statement](#)
- [Quarterly Expenditure Projection Form](#)
- [Personnel Action Form \(PAF\)](#)
- [Request for Reimbursement of In-Country Expenditures \(RIF Replenishment\)](#)
- [Service Contracts Tracking Sheet](#)
- [3-6 Insurance](#)
- [3-7 Property Management](#)
- [5-7 Financial Management Systems and Processes](#)
- [5-12 Payment of Expenses](#)