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FINANCIAL RULES 1/

1/ These rules were approved in resolution IICA/JIA/Res. 71(III-0/85), dated October 23, 1985. They went into force on the same day.

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BACKGROUND INFORMATION

Article 2.f. of the Rules of Procedure of the Inter-American Board of Agriculture stipulates that one of the functions of the Board is to approve the Financial Rules of the General Directorate.

In order to meet this requirement, the Director General drew up a set of proposed Financial Rules containing all standards governing budget, finances, accounting and auditing. The document expands upon and supplements the Rules of Procedure of the General Directorate.

The proposal was submitted by the Director General to the first sitting of the Third Regular Meeting of the Executive Committee (San Jose, August 1983), and it was extensively discussed by the Member States. The comments were duly included in a new document that was submitted to the second sitting of the Third Regular Meeting of the Committee (Kingston, Jamaica, October, 1983). The Committee found that the time available was not sufficient for an in-depth analysis, and resolved:

1. To invite its Member States to conduct an exhaustive analysis of the document submitted by the General Directorate, and to make observations and send them to the General Directorate within a period of three months.
2. To entrust the Director General to request submission of these observations and study the possibility of incorporating them into the proposal.
3. To recommend to the Board that it defer its discussion of the General Directorate's Proposed Financial Rules until its next Regular Meeting.

Accordingly, the Director General incorporated into the text the comments and suggestions submitted by the Member States and presented the modified Proposed Financial Rules to the Fourth Regular Meeting of the Executive Committee (San Jose, Costa Rica, December 2-7, 1984) (IICA/CE/Doc.88(84)rev.). The proposal was received, studied and accepted by the Member States with several observations. The Committee adopted resolution IICA/CE/Res.20- (IV-O/84):

1. To recommend to the Board that the Proposed Financial Rules of IICA be approved as submitted by the Director General, with the modifications introduced by the Committee.
2. To request the Director General to issue Executive Orders to implement the proposed Financial Rules of IICA on a trial basis.
3. To report to the Fifth Regular Meeting of the Executive Committee on the results of the implementation of the proposed rules and to submit proposals for changes in the Financial Rules and the Rules of Procedure, if deemed necessary, based on the experience of the trial implementation period.

Accordingly, the Director General issued Executive Order 03/85, dated February 28, 1985, requesting the different IICA offices to begin applying the Financial Rules as modified by the Executive Committee, and to recommend any changes found necessary.

During the Fifth Regular Meeting of the Executive Committee, a working group was set up to study the financial documents on the agenda and to make a presentation to the Plenary. The Committee resolved: i) to recommend to the Inter-American Board of Agriculture that the Rules of Procedure of the General Directorate be changed as per the agreements reached at the Fourth Regular Meeting of the Committee, with respect to Articles 68, 82.e., 101, 103 and 105 (Resolutions IICA/CE/Res.19(IV-O/84) and IICA/CE/Res.21(IV-O/84)), and the modifications approved during the Fifth Regular Meeting of the Committee, and ii) to recommend to the Inter-American Board of Agriculture that the Financial Rules of IICA be approved as per the agreements reached by the Executive Committee at its Fourth Regular Meeting, and the changes introduced at the Fifth meeting of the Committee.

The Third Regular Meeting of the Inter-American Board of Agriculture, held in Montevideo, Uruguay, adopted resolution IICA/JIA/Res.71(III-O/85), approving the Financial Rules proposal remitted by the Executive Committee and instructing that they go into effect as of October 23, 1985. Attached is a copy of the resolution.

IICA/JIA/Res.71(III-O/85)
23 October 1985
Original: Spanish

RESOLUTION No. 71

FINANCIAL RULES

The INTER-AMERICAN BOARD OF AGRICULTURE, at its Third Regular Meeting,

HAVING SEEN:

The Proposed Financial Rules (IICA/CE/Doc.99(85)) submitted by the Director General, and

Executive Committee Resolutions IICA/CE/Res.20(IV-O/84), "implementation of the Proposed Financial Rules," and IICA/CE/Res.40(V-O/85), "Modifications to the Rules of Procedure of the General Directorate and the Proposed Financial Rules,"

CONSIDERING:

That Article 2.j of the Rules of Procedure of the Inter-American Board of Agriculture stipulates that one of the functions of the Board is to approve the financial rules of the General Directorate,

RESOLVES:

To approve the proposed Financial Rules presented by the Director General, with the modifications introduced by the Inter-American Board of Agriculture at its Third Regular Meeting and by the Executive Committee at its Fourth and Fifth Regular Meetings, adding the following at the end of rule 3.6.1: "in accordance with the specific resolution approved by the Inter-American Board of Agriculture."

CONTENTS

	<u>PAGE</u>
INTRODUCTION	1
CHAPTER I AUTHORITY, RESPONSIBILITY AND ACCOUNTABILITY.....	3
CHAPTER II STANDARDS ON THE PROGRAM-BUDGET.....	9
CHAPTER III FINANCIAL RESOURCES.....	23
CHAPTER IV ACCOUNTING AND FINANCIAL CONTROL.....	31
CHAPTER V AUDITING.....	41
ESTABLISHMENT OF UNIFORM STANDARDS.....	47
APPENDIX - DEFINITIONS.....	51

INTRODUCTION

The rules for Program Budget, Finance and Accounting, and Auditing contained in this document amplify and supplement the corresponding Rules of Procedure of the General Directorate. They incorporate applicable resolutions of the Board, and are intended to be the norms of operation of the Director General. Along with the Rules of Procedure of the General Directorate and applicable Board resolutions, they shall regulate all the financial, budgetary, accounting and auditing functions of the Institute.

The Director General is responsible for carrying out these rules. To ensure compliance therewith he may delegate, in writing, such of his responsibilities as he deems necessary to provide for the orderly management of the Institute.

These rules also provide a necessary base for preparing a manual of detailed procedures, specific terms of reference, and the obligations of performance for staff members of the Institute.

These rules satisfy the requirements of Article 2, Chapter 1 of the Rules of Procedure of the Inter-American Board of Agriculture, and Article 3.g, Chapter 1 of the Rules of Procedure of the Executive Committee. Reference to pertinent Rules of Procedure of the General Directorate and Board resolutions are shown for cross-reference purposes.

CHAPTER I

AUTHORITY, RESPONSIBILITY AND ACCOUNTABILITY

		<u>Page</u>
1.1	Authority for Delegation.....	5
1.2	Elements of Delegation.....	5
1.3	Classification of Functional Responsibilities.....	5
1.4	Accountability.....	6
1.5	Register of Authorized Signatures.....	7

CHAPTER I

AUTHORITY, RESPONSIBILITY AND ACCOUNTABILITY

Rule 1.1 Authority for Delegation

The delegation of authority for programming, budgetary and financial operations is an intrinsic part of the overall responsibility of the Director General (Article 6).

Rule 1.2 Elements of Delegation

Every delegation involves the following:

- a. The one receiving authority also assumes responsibility for its exercise.
- b. The one delegating authority creates an obligation of the person receiving it towards him/her without being relieved of ultimate responsibility to higher management or governing bodies, nor is he/she deprived of the power to exercise his/her decision-making or supervisory authority over the delegate.

Rule 1.3 Classification of Functional Responsibilities

1.3.1 The functional responsibility for financial operations shall be delegated by the Director General among five functional areas:

- a. Allotting.
- b. Obligating.
- c. Certifying.
- d. Disbursing.
- e. Fiduciary.

1.3.2 Allotting

Functional authority to request allotments is vested in Unit Managers pursuant to approved Program Budgets and Plans of Operation.

1.3.3 Obligating

The functional authority to initiate requests for obligations rests with the Unit Manager pursuant to the approved Program Budget and Plan of Operation within available allotment balances and upon presentation of adequate documentation.

1.3.4 Certifying

The functional authority to certify may be vested only by the Director General in staff members exercising financial/fiduciary responsibilities. The certifying officer will ensure that an obligation has been duly authorized and that required documentation has been presented.

1.3.5 Disbursing

The functional authority to disburse funds is vested only by the Director General in duly appointed staff members responsible for issuing drafts, checks or other media of payment. The disbursing officers are accountable for ensuring payment against authorizations from the certifying officer and against available resources.

1.3.6 Fiduciary

Fiduciary authority is vested in any staff member who receives monies on behalf of the Institute, whether or not specific delegation of authority has been made or not.

Authorized fiduciary officers are responsible for depositing monies within 24 hours of receipt, issuing a receipt and recording the corresponding transaction. All staff members, whether authorized or not to receive monies, are to be held accountable for complying with these requirements.

1.3.7 Separation of Duties

In order to assure adequate internal control, financial functional responsibilities shall be segregated in such a way that no individual staff member has sole or total obligating, certifying and disbursing responsibility at the same time for any given operation. In cases where one person performs more than one function, the Director General will take the appropriate measures to assure controls are exercised.

Rule 1.4 Accountability

1.4.1 Every staff member who is delegated one or more functional financial responsibilities is personally accountable for complying with the pertinent requirements in each case. Therefore, he/she shall be free to refuse to sign any document pertaining to his/her financial responsibility if, in his/her opinion, it fails to comply with the rules and procedures of the General Directorate, and if appropriate, to submit it to a higher authority for consideration.

1.4.2 Officers or other staff members having custody of or responsibility for funds shall be insured to protect the Institute against monetary loss.

1.4.3 It will be considered a grave offense subject to disciplinary actions under due process for any staff member willfully, maliciously or by negligence to fail to comply with the regulations and procedures of the Directorate, causing:

- a. Entry of a fraudulent obligation.
- b. Issued of a false certification.

- c. An unjustified disbursement.
- d. The unreasonable retention of monies of the Institute.
- e. Use of any currency not in the best interest of the Institute.

1.4.4 The Financial Resources and Management Unit is authorized to reject any allotment or obligation request that does not comply with these rules and the Rules of Procedure of the General Directorate. The Financial Resources Management Unit is authorized to:

- a. Reject any certification or disbursement requests that do not comply with the rules and procedures of the General Directorate;
- b. On the basis of adequate justification, deduct any unauthorized expenses from the salaries or liquidations of staff members, and provide the staff member the pertinent explanation thereof;
- c. Temporarily suspend the authority of any disbursing officer for due cause.

1.4.5 The Financial Resources and Management Unit shall inform the Director General whenever a deduction is made for unauthorized expenses, a disbursement is rejected, or a financial authority is suspended, and explain the reasons for this action.

Rule 1.5 Register of Authorized Signatures

1.5.1 The Financial Resources and Management Unit shall keep a register of authorized signatures for the different categories of financial functional authority.

1.5.2 Authority for check signing does not provide the right for employees to write checks to their own names as payees.

CHAPTER II

STANDARDS ON THE PROGRAM-BUDGET

		<u>Page</u>
Section A:	<u>Terminology</u>	
2.1	Terms used in these Rules.....	11
Section B:	<u>Program-Budget Preparation and Adoption</u>	
2.2	Instructions.....	13
2.3	Preparation and Presentation.....	14
2.4	The Budgetary Cycle.....	15
2.5	CATIE.....	16
2.6	Financial Reports for the Board and the Executive Committee.....	16
Section C:	<u>Program-Budget Execution</u>	
2.7	Quota Collection.....	16
2.8	Appropriations.....	16
2.9	Transfer of Appropriations.....	16
2.10	Allotments.....	17
2.11	Obligations.....	17
2.12	Disbursements.....	20
2.13	Voluntary Contributions.....	21
2.14	Recording Income.....	21

CHAPTER II

STANDARDS ON THE PROGRAM-BUDGET

Section A TerminologyRule 2.1 Terms used in these Rules

The following definitions apply for the effects of these rules:

- a. Fiscal Year: The fiscal year corresponds to the calendar year.
- b. Biennium: The Institute's budget is prepared for two fiscal years.
- c. Categories of Activities: These are used for board presentation of the budget and include:
 - 1) Technical Cooperation Direct Services
Direct services are technical support, studies, training, direct action, technical-scientific brokerage and reciprocal technical cooperation.
 - 2) General Directorate Costs
These include, among others:
 - i. Costs of Supervision
Including the Director General, Deputy Director General, Assistant Deputy Director General for External Affairs, Assistant Deputy Director General for Program Development, Assistant Deputy Director General for Operations, and Area and Country Directors (the costs of the latter positions should be allocated according to their participation in technical and supervisory services).
 - ii. Costs of other General Directorate functions:
Including, among others, financial and human resources administrative functions, legal advisory services, public and official relations, production of official publications, and external and internal audit.
 - 3) General Costs and Provisions
 - i. Support to the Board and Executive Committee:
Meetings, documents, secretariat services.

- ii. All other costs not related to direct services or supervision, subject to decision by the Board, including reimbursement of loans, pensions for former Directors General, the OAS Administrative Tribunal, Revolving Funds, the Working Subfund of the Regular Fund, and insurance.
- d. Programs: A budgetary grouping corresponding to major problem areas which will be the object of direct services of technical cooperation as approved by the Board.
- e. Projects: The intermediate budgetary grouping corresponding to sets of activities or actions of technical cooperation.
- f. Activities: A line item for expenditure of a specific sum to carry out a specific action pursuant to an approved Plan of Operation.
- g. Plan of Operation: The basic planning instrument for all activities, specifying verifiable goals, resources required, source of resources, specific objects of expenditure, and management controls.
- h. Verifiable Goals: All activities and projects will identify and detail specific goals or objectives which, in subsequent budgetary reviews or evaluations, may be compared with the results of execution of the approved budget.
- i. Objects of Expenditure: The definitions of objects of expenditure as used in Article 68 are as follows:
 - 1) International Professional Personnel
Expenditures for staff members with either regular or temporary international professional appointments.
 - 2) Local Professional Personnel and General Services Personnel
Expenditures for those employees who occupy local professional and general services positions.
 - 3) Scholarships
All costs of fellowship students and research assistants, including travel,
 - 4) Official Travel for IICA Personnel
All expenses for official travel for attending meetings, exercising supervision and coordination, recruiting, performing technical assistance missions, training and others.

- 5) Documents and Materials
Includes costs related to publication and printing of publications and other internal IICA documents. Also includes costs of acquiring literature required to develop activities.
- 6) Building, Equipment and Furniture
All costs for purchase of fixed assets which can be included in inventory and/or rental of buildings, equipment and furniture for activities.
- 7) General Services:
The necessary costs for operating offices and equipment and maintaining effective communication in the implementation of activities. This includes the leasing and maintenance of offices, including installations outside of headquarters, communications, public services, security, repairs, maintenance and supplies for the operation of buildings, lands, and equipment.
- 8) Performace Contracts
All costs involved in contracting the services of technicians or specialists outside of IICA to carry out a specific task within an approved Plan of Operation;
- 9) Other Operating Costs
All costs which are not identified in the abovementioned categories or line items.

Section B Program-Budget Preparation and Adoption

Rule 2.2 Instructions

- 2.2.1 Instructions for the preparation of the biennial Program-Budget, and for the review of the second year of the biennium, shall be approved and issued by the Director General. The instructions shall fulfill the requirements of these rules and of Articles 64, 65, 66, 67, 68, 69 and 70 of the Rules of Procedure of the General Directorate and pertinent resolutions of the Board and the observations and recommendations of the Executive Committee (Article 65).
- 2.2.2 The basic criteria to be observed in preparing the Program-Budget are:
- a. Achievement of the objectives described in the Convention, resolutions of the Board, and the current Medium-Term Plan.
 - b. Provision of direct services to IICA members consistent with priorities defined by the Board and IICA Member States.

- c. Optimum use of scarce resources from quota and other contributions for the benefit of IICA Member States.
- d. Coordination of programs with national and international agencies, both public and private, to maximize impact and avoid duplication.
- e. Control of overhead costs.
- f. Consideration of the financial situation of the Member States and their readiness to contribute to the quota budget.

2.2.3 All Institute officials who are responsible for the execution of budgets will be required and shall be given the opportunity to participate in the development of proposals for Program-Budgets (Article 66.e).

Rule 2.3 Preparation and Presentation

2.3.1 The format of presentation of the Program-Budget shall conform to the requirements of Articles 66, 67, 69 and 70 of the Rules of Procedure of the General Directorate.

- a. For the purposes of Article 67 of the Rules of Procedure of the General Directorate, the projected costs of personnel (salaries and benefits), fellowships/training, travel, performance contracts, supplies, equipment, and general services for programs and projects shall be considered as direct costs of technical cooperation services.
- b. Similarly, all technical and administrative costs that contribute to the operation of units belonging to the General Directorate, except for those which are identified as components of a specific project, shall be specified in the budget for each unit of the General Directorate.
- c. Proposed Program-Budgets shall include all non-cash contributions, and the description, sources, and conditions under which they are to be obtained shall be clearly indicated.
- d. The proposed Program-Budget shall also include a specific proposal for items from remuneration system involving costs to the Institute, including adjustments to the scale of salaries or the cost of other benefits and allowances.

2.3.2 The budgets for projects financed by external resources shall follow the same general format as those financed by regular funds. They shall include the relevant stipulations of the agreements or contracts from which they originate.

- 2.3.3 The basic program document or building block of the budget is the proposed Plan of Operation of each project, prepared by the responsible unit or project manager. All Plans of Operation considered as proposals in the preparatory stage of the budgetary cycle are submitted to the Financial Resources and Management Unit for inclusion in the proposed budget.
- 2.3.4 Program-Budgets for external resources administered by IICA shall contain an amount for Indirect Administrative and Technical Costs (CATIs), which shall be used to fund indirect costs that provide support for those projects.
- 2.3.5 Grants which are intended for the internal support of the Institute shall not be required to pay Indirect Administrative and Technical Costs (CATIs).
- 2.3.6 The Financial Resources and Management Unit has the responsibility, pursuant to the detailed instructions prescribed by the Director General, to aggregate all budget proposals for activities, organize and systemize this presentation, and justify the overall budgetary proposal. This justification is revised by those in charge of budgetary proposals, so it will conform to original proposals for action. This is the first draft of the Program-Budget for consideration by the Director General.

Rule 2.4 The Budgetary Cycle

- 2.4.1 Once approved by the Director General, the proposed Program-Budget is ready for submission to the Executive Committee.
- The proposal is submitted to all of IICA's Member States no less than 45 days in advance of the following scheduled meeting of the Executive Committee for review, observations and recommendations (Articles 3 and 26 of the Rules of Procedure of the Executive Committee).
- In forwarding the proposed Program-Budget, the Director General shall include the items listed under Article 70 of the Rules of Procedure of the General Directorate.
- 2.4.2 The Program-Budget will be approved for a two-year period. The Director General may, in exceptional circumstances, request a special appropriation for the second year of the biennium and propose sources of financing to the Executive Committee. Once approved ad referendum by the Committee, the proposal must be submitted the Board for in a vote by correspondence, and an affirmative vote of two-thirds of the Member States shall be required for final approval by the Board.

Rule 2.5 CATIE

CATIE shall be required to submit a Program-Budget proposal consistent with these rules and the annual instructions issued by the Director General. Funds made available to CATIE shall not exceed five percent of the total regular budget of IICA (Article 66).

Rule 2.6 Financial Reports for the Board and the Executive Committee

The Director General shall present to the Board or the Executive Committee, as appropriate, financial reports in conformance with Article 91 of the Rules of Procedure of the General Directorate.

Section C Program-Budget Execution

Rule 2.7 Quota Collection

Within thirty days following final approval of the Program-Budget, the Director General shall transmit the corresponding resolution to the governments of the Member States, accompanied by a list of annual quotas, and shall request that they be paid as soon as possible after the first day of the fiscal year, as annual quotas are considered due from the first day of each year of the fiscal period. Member States shall be expected to provide the Director General with a planned schedule of regular payments. Voluntary contributions shall be considered as payable according to the terms under which they are pledged (Article 80).

The General Directorate shall receive all the funds of the Institute. The annual quotas shall be set and paid in U.S. dollars. Voluntary contributions for special funds may be made partially in the local currency of the respective Member State as agreed upon between the Institute and the donor, bearing in mind the needs of the programs (Article 81).

Rule 2.8 Appropriations

Program-Budgets reviewed by the Executive Committee and approved by the Board become the approved appropriations for the designated fiscal years. Expenditures of funds shall not exceed the approved Program-Budget. Commitments cannot be made in excess of appropriations.

Rule 2.9 Transfer of Appropriations

The Director General has the authority to transfer up to ten percent between chapters of each approved Program-Budget. All such transfers must be described in the annual financial report (Article 91).

Rule 2.10 Allotments

- 2.10.1 In order to insure that expenditures do not exceed income from quotas and other contributions, an allotment control system based on approved Plans of Operation will be drawn up for the execution of the approved Program-Budget. Original Plans of Operation submitted for the preparation of the Program-Budget will be revised to reflect any changes contained in the final, approved appropriations (Article 72).
- 2.10.2 The Financial Resources and Management Unit, on request from authorized unit managers, shall make allotments of funds for Plans of Operation approved by the Director General in accordance with the approved Program-Budget. Total allotments shall not exceed the total estimated cash receipts of the Regular Fund or of other approved funds.

Rule 2.11 Obligations

- 2.11.1 Appropriations shall be available to meet the obligations incurred during the fiscal period for which they were approved and for the next period, counting from the closing date of the former, to the extent necessary to liquidate obligations incurred during the former. This rule governs the appropriations of the Regular Fund (Article 74).

Special funds and trust funds are available to meet obligations without time limitation except as specified by the donor. In the case of special funds, any unobligated monies remaining upon completion of the purpose for which the funds were contributed will be returned to the donor or utilized as specified by the donor.

Revolving funds shall be available to meet obligations without time limit provided cash is available to liquidate such obligations.

- 2.11.2 Before a commitment is made for future expenditure of appropriations, an obligation must be recorded against available allotment balances.
- 2.11.3 Before requesting that a commitment be made, unit managers shall be satisfied that they are organizing their available resources in the most reasonable and economical manner to achieve their program's objectives.
- 2.11.4 No obligation shall be charged against the Program-Budget of a prior fiscal period.
- 2.11.5 Obligations include agreements, contracts, and purchase orders with suppliers (vendors) to purchase goods or services, and firm written commitments to Member States, institutions, or other recipients to provide goods or services.

In cases where the Institute is providing goods or direct services (technical assistance training), it is not necessary for all administrative processes to have been finalized, personnel recruited, etc. prior to obligating funds. It is only necessary for a firm offer to have been made in writing and for the negotiations and planning with the counterpart to be at a stage sufficiently advanced to assure that the mission will be carried out as agreed.

2.11.6 In matters related to the management of the various objects of expenditure (personnel, contracts, equipment and supplies, travel and other costs such as fees, per diem allowances, etc.), the General Directorate shall apply uniform criteria based on standards of the Institute for all organs, agencies, and other entities whose expenses are included in the Program-Budget.

2.11.7 An obligation shall be incurred only for purposes which are within the scope of the stated objectives of the related appropriation and allotment account.

2.11.8 An obligation shall not be incurred unless an authorized official has previously certified in writing that allotments are available. This official shall limit his/her certification of obligations to the total of allotments available for each budgetary account.

2.11.9 Recording Obligations

The Financial Resources and Management Unit shall establish the necessary obligations for personnel costs of staff members on the regular payroll based on the approved Program-Budget without a request from the various departments or offices.

a. The obligations for approved regular position costs shall be based on the following rules for the types of posts:

1) Approved regular position costs will be projected for the full corresponding year within the biennium, whether the position is vacant or filled.

2) Savings generated from vacant positions will be deobligated monthly and will not be available to cover other obligations of the account, but will be available for the Fund as a whole at the discretion of the Director General.

b. Cost obligations for temporary positions shall be based on the following rule:

Costs will be projected to the end of the corresponding biennium or to the expiration of the appointment, whichever occurs first.

- c. Obligations for other objects of expenditure will be processed in compliance with the procedures established in each case, and only when documentation has been produced bearing the approvals and clearances established according to the pertinent delegations of functional authority and responsibility.
- d. Obligations for purchase of equipment and supplies as well as contractual printing are subject to provisions cited in these rules.

2.11.10

Obligations away from Headquarters

- a. When functional authority for initiating obligation requests for a unit, program, project or activity has been delegated to a staff member located away from Headquarters, the Financial Resources and Management Unit is authorized to make special arrangements to facilitate prompt processing of such obligations.

Such special arrangements shall be consistent with the need to assure:

- 1) Compliance with the decisions of the Board and the Rules of Procedures of the General Directorate.
 - 2) Maintenance of budgetary control so that obligations do not exceed allotments as authorized on the basis of the Plans of Operation.
 - 3) Maintenance of a degree of segregation of duties that is compatible with internal control needs.
- b. In general, under such special arrangements, unit, program, project or activity managers shall prepare monthly estimates of obligations for anticipated expenditures. These monthly estimates shall be submitted for approval to appropriate supervisors at Headquarters at least thirty working days prior to the beginning of the month to which they refer.
 - c. The approved monthly estimate shall be returned to the unit, program, project or activity managers at least fifteen working days prior to the start of the month. The approved monthly estimates shall constitute authority for the managers to incur obligations and make expenditures pursuant to the monthly estimate.
 - d. For items not included in the special arrangement, managers shall process obligations in accordance with the normal procedures as set forth elsewhere in these rules.

- e. When obligations are incurred at Headquarters for which the disbursement shall be made in the field, the field managers shall be notified in writing that such obligations have been made, and the Financial Resources and Management Unit shall issue whatever instructions are necessary to make payment.
- f. Field managers may find it necessary to incur obligations and make expenditures in emergency situations not covered in approved Plans of Operation. In such cases, the nature and extent of the emergency, along with the amount of required funds, will be transmitted to Headquarters for approval of obligations and expenditures.

2.11.11

If obligated amounts of a prior period's appropriations are determined by the Financial Resources and Management Unit, in consultation with the department or office concerned, to be no longer required of expenditure, such amounts shall be deobligated, and obligation authority for those funds ceases.

Any modification of unliquidated obligations shall be submitted to the Financial Resources and Management Unit for information and approval.

2.11.12

Obligations Becoming Accounts Payable

Upon receipt of goods ordered or the performance of services, the outstanding obligations on record shall be posted as expended and transferred to accounts payable. Usually the account payable shall be established upon receipt of the supplier's (vendor's) invoice. However, at the close of a fiscal period, such amounts shall be established for all goods received and direct services rendered, regardless of whether an invoice has been transmitted by the supplier (vendor).

Such transfers may be made subsequent to the end of the fiscal period, but are effective as of the end of the period.

Rule 2.12

Disbursements

2.12.1

Requests for Payment

Payment of Institute obligations shall be made in accordance with the terms of approved Plans of Operation and with the terms of contracts, agreements, purchase orders and other documents duly processed and approved by officials to whom that responsibility has been delegated by the Director General according to the provisions of Chapter I (Article 74).

- a. The payment for goods and services received shall be scheduled so that if it is not made before it is due, but is paid on time so that no penalties are incurred.

- b. Advantage shall be taken of all time discounts offered by vendors by making payments within the quoted time limits.
- c. U.S. dollars held by an IICA Office shall be converted into local currency only when the expenditure to be made in that currency is imminent.
- d. An effort must be made for expenditures and major commitments to be made at the beginning of the month in countries with severe devaluation processes, so as to avoid possible losses.

2.12.2 When making disbursements of funds by check for any purpose, or when transferring funds from country to country, the Institute shall act according to the terms of the Basic Agreements of privileges and immunities the Institute has concluded with the governments.

When these Agreements do not exist or are not clear enough, these actions shall be done according to the financial laws, rules, regulations and procedures of the countries in which the transactions occur.

2.12.3 Petty Cash

The Institute shall establish petty cash funds at appropriate locations in order to expedite payment for small local purchases, in accordance with instructions to be issued by the Director General for each case.

Rule 2.13 Voluntary Contributions

Voluntary contributions collected in national currency shall be credited at the rate of exchange in effect at the time of their use, although initially they may be credited at the rate of exchange in effect when payment is made. Any losses caused by devaluations shall therefore be reflected as adjustments to the voluntary contributions outstanding and received. Member States shall be advised of such losses and informed of such modifications whenever the contribution is destined for some specific purpose which IICA is committed to execute. Losses caused by devaluations of grants and requests paid in national currency shall be reflected as adjustments to the original record (Article 81).

Rule 2.14 Recording Income

Income from quotas and voluntary contributions shall be credited against the balance pending for the earliest year for which money is owed to the corresponding fund (Article 78).

CHAPTER III

FINANCIAL RESOURCES

	<u>Page</u>
Section A:	<u>Funds</u>
3.1	Classification of Funds..... 25
3.2	Establishment of Funds..... 25
Section B:	<u>Sources of Income</u>
3.4	Quota Income..... 25
3.5	Voluntary Contributions..... 26
3.6	Indirect Administrative and Technical Costs (CATIs) 26
3.7	Miscellaneous Income..... 27
3.8	Loans..... 27
Section C:	<u>Receipts</u>
3.9	Bank Accounts..... 27
3.10	Receipt of Funds, General..... 27
3.11	Receipt of Funds away from Headquarters..... 28
3.12	Security of Monies..... 28
Section D:	<u>Investments</u>
3.13	Authority..... 28
3.14	Treasury Account..... 28
3.15	Investment of Other Currencies..... 29
3.16	Administration..... 29
3.17	Distribution of Revenue From Investments..... 29
3.18	Custody of Securities..... 29
3.19	Withdrawal of Securities..... 30
3.20	Register of Investments..... 30

CHAPTER III

FINANCIAL RESOURCES

Section A FundsRule 3.1 Classification of Funds

The funds administered by the Institute, classified according to their source and purpose, are described in Chapter V of the Rules of Procedure of the General Directorate.

Rule 3.2 Establishment of Funds

3.2.1 The Director General is authorized to set up separate accounts for voluntary contributions or requests received to finance special programs or projects approved by the Executive Committee. In each case, the separate accounts will be administered in conformity with these rules and examined annually, together with the other accounts of the Institute, by the External Auditor.

3.2.2 The Director General shall present to the members of the Executive Committee justifications that projects or actions to be financed by voluntary contributions are in harmony with and consistent with the objectives of the Institute and the defined programs in the current approved quota budget.

3.2.3 Revolving funds shall conform to the general prescriptions in Article 82.d of Chapter V of the Rules of Procedure of the General Directorate, and to the requirements of the Board resolutions which create them.

3.2.4 Institute subfunds related to the regular fund are described in Articles 83 and 84, and for voluntary or contractual contributions, in Article 85 of the Rules of Procedure of the General Directorate.

Section B Sources of IncomeRule 3.4 Quota Income

This income is derived from the mandatory contributions of Member States to the regular quota budget. These contributions are allocated on the basis of a scale of assessments approved by the Board (Article 82.a).

Rule 3.5 Voluntary Contributions

These include voluntary contributions outside the regular quota budget by Member States, other contributions from Member States, nonmember countries, and other institutions pursuant to agreements or contracts with IICA, and bequests and special contributions held in trust by IICA (Article 82.b and c).

Rule 3.6 Indirect Administrative and Technical Costs (CATIs)

3.6.1

The Institute shall charge an Indirect Administrative and Technical Cost (CATI) rate to cover the Institute's costs of participation in projects financed by external sources. The minimum rate shall be eight percent, and the actual rate to be charged for specific contracts will be determined by agreement between the parties involved. The amount shall be included in the General Subfund of the Regular Fund and shall be allocated through the budget process as approved by the Director General, in accordance with the specific resolution approved by the Inter-American Board of Agriculture.

3.6.2

All project agreements entered into, for which external resources are to be received and controlled by the Institute, or which the Institute will execute on a reimbursable basis, shall contain a financial plan which will assist the Institute in conducting an efficient process of collection and expenditure of funds in support of the project objectives and timetables (Article 90) (IICA/JIA/Res.34(II-E/82)).

Negotiations on a system for the submission of accounts and collection of reimbursements in extra-quota agreements and contracts must avoid having reimbursements calculated and made to IICA at the average rate of the month during which the accounts were submitted, but rather at the rate used by IICA in its submission.

3.6.3

The Director General shall be authorized to receive contributions and donations and to sign agreements for external resources as long as the actions to be performed fit into the objectives of IICA's programs, reporting all such agreements to the Executive Committee or the Board. Whenever such agreements exceed \$250,000 annually, the Director General will notify members of the Executive Committee and provide a thirty-day comment period for their observations, beginning on the date of the letter of notification. These contracts must contain provisions for the estimated amounts necessary to cover IICA's Indirect Administrative and Technical Costs (CATIs).

3.6.4

The Director General shall insure that every instrument concluded with other parties which involves contributions by IICA contain an obligation on the part of the other parties to comply with these rules and the Rules of Procedure of the General Directorate in the following matters:

- a. Allotments.
- b. Disbursements.
- c. Financial reports.

Rule 3.7 Miscellaneous Income

All other income incident to IICA's financial transactions will be considered as Miscellaneous Income, except that income specifically designated by the Board for credit to revolving funds. This includes, among other sources, all interest received from short-term or long-term banking accounts and investments, earnings/losses from the conversion of foreign exchange, and the rent or sale of IICA fixed or movable assest. All miscellaneous income will be totalled and aggregated to be used as a source of income to pay for the regular fund budget, except as stipulated in Rule 3.17 for the distribution or income (Articles 83 and 88).

Rule 3.8 Loans

The authority to borrow must be approved by the Board and may be exercised only by the Director General, who shall report the details of each transaction to the Board.

Section C Receipts

Rule 3.9 Bank Accounts

The Institute shall open, manage, and close bank accounts taking into consideration all the laws and regulations of the applicable countries and banking systems. The Director General or his designee shall execute all required powers of attorney (Article 78).

Rule 3.10 Receipt of Funds, General

A receipt shall be issued with respect to all monies received. All quota and voluntary collections shall be acknowledged.

Only authorized fiduciary officers duly designated by the Director General shall issue receipts for monies for the Institute. They shall immediately transmit such monies to the Financial Resources and Management Unit (cashier unit), except as established below for receipts away from Headquarters.

All monies received shall be deposited intact in an authorized bank account not later than the business day following the day of receipt.

Rule 3.11 Receipt of Funds away from Headquarters

Any recipient of monies away from Headquarters shall make an immediate report by cable to Institute Headquarters.

Any monies received away from Headquarters shall be turned over to a designated fiduciary officer for deposit or remittance to Headquarters within 24 hours of receipt. The fiduciary officer shall issue a receipt on behalf of the General Directorate.

The fiduciary officer shall, within 24 hours, forward a copy of the receipt to the Financial Resources and Management Unit with proper documentation relating to the deposit or remittance.

Rule 3.12 Security of Monies

All monies received which are being held for deposit, and the monies on hand for the operation of petty cash funds, shall be stored in safe-keeping facilities to guard against theft and other forms of loss.

Monies of the petty cash funds shall not be comingled with other monies.

Section D Investments

Rule 3.13 Authority

3.13.1 The Director General may make short-term investments of funds not essential to meet immediate needs, as well as long-term investments of the resources of the working subfund, of the trust funds, of the special funds, and of the reserve subfunds (Article 88).

3.13.2 The General Directorate shall analyze the use of funds of every office and provide only those amounts necessary for efficient operation in order to preclude as much possible the accumulation of idle funds. Requests for exceptions to this rule from any of the various units shall be submitted to the Financial Resources and Management Unit, which shall prepare an analysis of requests. The requests and analysis shall be submitted to the Director General for approval or disapproval.

Rule 3.14 Treasury Account

Investment of United States dollars from all funds not immediately required for operations shall be made through a consolidated treasury account. Such treasury account shall be managed to attain the following objectives in order of importance:

- a. Assure preservation of principal.
- b. Full investment of all monies not immediately required for operations.
- c. Reasonable current yield.
- d. Liquidity commensurate with anticipated future needs, allowing for non-recurring demands made from time to time upon the working subfund for emergencies that arise for carrying out projects.

Rule 3.15 Investments of Other Currencies

Investment of other currencies shall be made only at the discretion of the Director General. Such investment will be managed to attain the same objectives as those of the treasury account. In any event, attempts shall be made to limit local currency investments, especially in countries subject to continuous devaluating processes.

Rule 3.16 Administration

The Director of the Financial Resources and Management Unit will have the responsibility for continuous supervision of the treasury account assets. He shall meet at regular intervals with the Director General to advise him on the situation of the treasury account, and shall have current information available when requested by the Director General.

Rule 3.17 Distribution of Revenue From Investments

Revenue received and accrued by the treasury account will be distributed to the general subfund of the regular fund as miscellaneous income, or to participating trust or special funds, in a ratio obtained as follows:

- a. The sum of all these balances divided by the total interest to be distributed each month will yield a percentage which will be applied to each fund's "dollar week" balance in order to obtain a proportionate amount of earnings to be credited to each fund.
- b. Special and trust funds under US\$100,000 total, and revolving funds will not receive credit for interest income. Any interest earned by these funds or accounts will be credited to the general subfund of the regular fund as miscellaneous income.

Rule 3.18 Custody of Securities

All securities shall be deposited either in the custody of duly appointed banking institutions or in safe deposit vaults maintained in a recognized financial institution designated by the Director General. The receipts of bank deposit certificates will be maintained in a safe deposit vault of the General Directorate under the custody of the Financial Resources and Management Unit.

Rule 3.19 Withdrawal of Securities

Withdrawal of securities from the custody of banking institutions or access to safe deposit vaults shall require the authorization and signature of two officers designated for that purpose by the Director General.

Rule 3.20 Register of Investments

Investments shall be registered in an investment ledger which shall indicate for each investment the face value, date purchased and sold, place of deposit, proceeds of sale and income accrued and earned.

CHAPTER IV

ACCOUNTING AND FINANCIAL CONTROL

	<u>Page</u>
Section A:	
	<u>Financial Operations and Reporting</u>
4.1	Accounting Systems and Records..... 33
4.2	Basic Financial Statements..... 34
4.3	Progress Reports..... 35
4.4	Official Currency..... 35
4.5	Rates of Exchange - Other Currencies..... 35
4.6	Fund Advances..... 36
Section B:	
	<u>Fixed Assets and Procurement</u>
4.7	Fixed Asset Accounts..... 36
4.8	Approval Authority..... 37
4.9	Procurement Actions..... 37
4.10	Bidding..... 37
4.11	Bulk Orders..... 37
4.12	Acquisition Costs..... 37
4.13	Accounting for Acquisition Costs..... 38
4.14	Accounting and Labeling Subsequent to Acquisition. 38
4.15	Accounting for Changes in Fixed Assets..... 38
4.16	Physical Inventory..... 39
4.17	Retirement and Transfers..... 39
4.18	Authorization to Declare Surplus Property..... 39
4.19	Annual Reporting Requirements..... 40
4.20	Rentals, Leases, and Insurance..... 40

CHAPTER IV

ACCOUNTING AND FINANCIAL CONTROL

Section A Financial Operations and ReportingRule 4.1 Accounting Systems and Records

4.1.1 The General Directorate shall keep such accounting record as are necessary and in its financial reports it shall show the following (Article 91),

- a. The income and expenditures of all the funds.
- b. The situation of appropriations, in such a way as to permit comparison with the approved Program-Budget by fund, fiscal period, program, project and instrument of direct technical cooperation services, as well as by object of expenditure, including:
 - 1) The original budget appropriation.
 - 2) Appropriations modified by any kind of transfer.
 - 3) Credits, if any, other than appropriations authorized by the Board, such as income for technical and administrative costs from external contracts (CATIs).
 - 4) Amounts charged, allocated, obligated, and/or expended against those appropriations and/or other credits.
- c. The assets and liabilities of the Institute.

4.1.2 Maintaining Accounting Records

The Director General is responsible, through the Financial Resources and Management Unit, for maintaining the financial records of the Institute.

4.1.3 Financial and accounting systems, now in use or to be developed in the future, shall provide reasonable assurance that funds are used efficiently, and shall help protect the Institute against the occurrence of waste and fraud (Article 90).

4.1.4 The accounting system shall use separate accounting for each activity, project, program, location, object of expenditure and fund for each fiscal year. The system shall be flexible enough to provide documentation and reports for the above items and to meet internal financial requirements for external resource agreements consummated with Member States, institutions, nonmember countries and donors (Article 91) (IICA/JIA/Res.28(II-E/82)).

- a. The system shall incorporate program-budget data so that planned expenditures can be compared with obligated and actual expenditures on at least a quarterly basis.
- b. Manual processing controls must be included in the accounting system and specified in procedures defined in the accounting manual.

4.1.5 Finance and accounting systems that are now in use or which may be developed in the future shall provide the procedures, forms and controls necessary to incorporate obligations and payments required in the Staff Rules (Article 72 and 74).

4.1.6 The Director General may delegate authority for financial operations in the units. Those staff members so designated shall be responsible for the exercise of that authority in accordance with the rules, guidelines, and norms of the Institute and the instructions of the Director General (Article 90).

4.1.7 The Director General shall ensure that the observance of accounting and financial rules and procedures by staff members of the Institute is taken into consideration when appraising their job performance (Article 33).

Rule 4.2 Basic Financial Statements

4.2.1 As of the last day of each month, the following financial statements shall be available to the Director General for each fund:

- a. Statement of assets, liabilities and fund balances.
- b. Statement of changes in fund balance.
- c. Statement of quota assessments, pledges, collections and balances.
- d. Budgetary statements.

Such notes as are necessary to expand upon or disclose other financial information not included in the basic financial statements shall be appended to financial statements.

The financial statements prepared as of December 31 of each year shall be submitted to the external auditors no later than March 1 of the following year.

4.2.2 The format of the financial reports produced by the accounting system shall facilitate the control of funds and the review and analysis of the financial affairs of the Institute, and shall conform to accepted accounting principles and procedures (Article 91).

- 4.2.3 Within the first month following the end of a fiscal year, the Financial Resources and Management Unit shall record all obligations and provide fiscal year-end financial reports for review by the Director General (Articles 64 and 74).

Rule 4.3 Progress Reports

The Director General shall provide the Member States with quarterly unaudited reports at the request of the Executive Committee or other Member States on the following subjects:

- a. The financial condition of the Institute, including budgetary appropriations and their utilization.
- b. Progress made in carrying out programs and providing services for the current year program-budget, with corresponding types of expenditures.
- c. The situation as regards collection of quotas, and a summary of contributions, miscellaneous income, and any other resources received from public or private sources.

These reports shall be for information purposes only.

Rule 4.4 Official Currency

The accounts of the General Directorate and its financial reports shall be kept and presented in U.S. dollars. The accounts of the offices away from Headquarters and those of the applicable parts of trust and special funds may be kept provisionally in such currency as the Director General determines (Article 89).

Rule 4.5 Rates of Exchange - Other Currencies

Currencies on hand, income and expenses incurred in currencies other than United States dollars shall be translated into United States dollars for recording at Headquarters and for financial reporting.

The following rules will govern transactions in foreign currencies and translation of amounts on hand:

- a. Income and expense transactions will be converted at the most favorable legal free market rate of exchange on the date that the transactions occur.
- b. Amounts on hand at month's end will be converted at the free market rate of exchange as of the end of the month.
- c. Conversion of currencies will be recorded at the actual rate of exchange for the transaction.

- d. Exchange gains and losses will be recorded monthly and accumulated for the fiscal year. If the net result is a gain, it shall be considered miscellaneous income. If a loss results, it shall be charged to the current fiscal year's appropriations.
- e. Transactions affecting conversion of currency shall be performed by the authorized fiduciary officers in the Member States, only through the bank where the local currency account in the pertinent Member State is maintained, except in countries where the law permits the use of different institutions.

Rule 4.6

Fund Advances

Funds may be advanced only in the amount necessary to complete the specific purposes for which the funds are required (Article 90).

- a. Advances to consultants, contractors and vendors shall be made only in accordance with the terms of the pertinent contract or agreement, and in no case will the advances be more than thirty percent of the total cost of the contract or agreement. The contractor or vendor shall be required to submit a performance bond, letter of credit or other monetary instrument in order to guarantee performance. The guarantee instrument shall be in an amount sufficient to protect the funds advanced by the Institute.
- b. The Institute shall insist on advance funding for projects funded by external resources in order to avoid using regular funds for initial outlay costs (IICA/JIA/Res.31 (II-E/82)).
- c. The Institute shall not advance funds to employees for any personal need not connected with the work of the Institute, except upon specific approval by the Director General.

Section B

Fixed Assets and Procurement

Rule 4.7

Fixed Asset Accounts

4.7.1

The Institute shall record in the appropriate accounts the value of all capital assets, property, and parts and supplies in accordance with accepted accounting principles (Article 91).

Capital assets shall be depreciated or amortized over the life span specified in the depreciation and amortization schedule developed by the Financial Resources and Management Unit. Salvage value shall be used in the calculations when appropriate.

Rule 4.8 Approval Authority

Authority to request purchases of budgeted property items shall be vested with the same officials who authorize other types of budgetary expenditures.

Rule 4.9 Procurement Actions

Procurement actions on behalf of the General Directorate shall be governed by these rules and are subject to the existence of supporting budgetary allotments as well as the availability of funds.

Rule 4.10 Bidding

The Institute shall issue formal requests to the public for three or more written offers for any type of contract with a value of more than U.S. \$10,000. The Deputy Director General and two other designated officials shall serve on a Contract Review Board to open bids, review proposals, and determine the successful bidder. The Director General or his designee shall approve and sign for the Institute all contracts which result from this process. In order to comply with Article 92 of the Rules of Procedure of the General Directorate, the Director General shall establish a procedure for the application of the bidding process and for the conduct of competitive methods of purchasing with the objective of attaining fair prices.

Rule 4.11 Bulk Orders

Purchases of equipment, vehicles, office furniture, materials, general supplies, and services shall be consolidated when possible in order to take advantage of volume discounts (Article 92).

- a. These purchases shall be made by the Physical Resources and Services Unit by contract.
- b. Applicable laws of the countries for which the purchases are destined, transportation, and maintenance costs shall be taken into consideration when making any cost-saving decision.
- c. The consolidated purchases requirement shall apply to all funds controlled by the Institute.

Rule 4.12 Acquisition Costs

The cost of property shall include the amounts paid to acquire it, including transportation, installation, and related costs of obtaining and placing it in the form and position required for use. Property acquired by gift or donation shall be recorded at fair market value or appraised value at the date of acquisition. Such valuation shall be appropriately documented.

Rule 4.13 Accounting for Acquisition Costs

The procedure for recording costs is as follows:

- a. The cost of all property acquired shall be recorded in the fixed asset fund. This fund shall have "Ownership of Fixed Assets" accounts which reflect the values of assets owned by participating funds. The participating funds shall reflect corresponding values in "Investment in Fixed Assets Fund" accounts.
- b. Property acquired for cash (that is, without incurring debt other than a normal trade account payable) shall be purchased by the general subfund (regular fund), or operating subfund (special funds), revolving fund, or trust funds on behalf of the fixed assets fund. The total cash outlay extended for the property shall be established as the asset value in the fixed assets account.
- c. Property acquired for indebtedness, or indebtedness plus cash, shall be purchased by the appropriate fund on behalf of the fixed assets fund.

The total cash outlay plus the total liability exclusive of interest shall be established as the asset value in the fixed assets account. The related liability shall be reflected in the acquiring fund.

- d. Property acquired by trade-in shall be purchased by the acquiring fund on behalf of the fixed assets fund. The cost of the property recorded in the fixed assets accounts shall be measured by the cash paid or payable plus the amount allowed by the seller on the trade-in property.
- e. Property acquired by donation shall be recorded in the fixed assets fund at appraised value on the date of acquisition as determined by an accredited independent appraiser.

Rule 4.14 Accounting and Labeling Subsequent to Acquisition

Once fixed assets have been acquired and properly recorded on the account books, subsidiary records on each recorded asset shall be maintained to control and account for all property.

Upon receipt of fixed assets, pre-numbered labels should be affixed to them to identify them as Institute property.

Institute personnel shall be responsible for all property of the Institute assigned to them.

Rule 4.15 Accounting for Changes in Fixed Assets

Fixed assets may be changed by additions, alterations, improvements, rehabilitation, or replacements.

The basic principle to be observed in accounting for such changes is to capitalize the costs incurred when they significantly extend the useful life of property or its capacity to render service, and to remove from the property accounts the costs of features superseded or destroyed in the process.

Repair and maintenance costs incurred to keep property in satisfactory operating condition shall be accounted for as current operating costs within the applicable general or operating sub-fund.

Rule 4.16 Physical Inventory

Physical inventories of fixed assets shall be taken at regular intervals. This procedure is necessary as a check on the effectiveness of the accounting procedures in providing adequate and accurate information on all significant changes in the investment in property assets.

The frequency of physical inventories, which may be taken on a cyclical basis over a period of time, shall be determined on the basis of such factors as nature and value of property, physical security and control procedures relating to receipt, issuance and custody, turnover, and results of previous inventories. Regardless of these criteria, all items will be physically inspected at least every other fiscal period.

Differences between quantities determined by physical inspection and those shown in the accounting records shall be investigated to determine the causes and to identify necessary improvements in procedures to prevent errors, losses, or irregularities. Accounting records shall be brought into agreement with the results of physical inventories.

Rule 4.17 Retirement and Transfers

The cost or other basis (and the related accumulated depreciation) for property retired from service, whether by sale, trade-in, dismantlement, destruction, or other means, shall be removed from the accounts. Amounts realized from the sale of property shall normally be accounted for as miscellaneous income to the regular fund, or to a revolving fund if the Board so stipulates. Exceptions to this rule may be made, subject to approval by the Director General, where disposal of equipment (such as automobiles) is made to acquire new, similar equipment, and where sale is more advantageous than trade-in. In these instances, funds received from the sale shall be credited to the respective budgetary account to offset the total costs of the new equipment.

Rule 4.18 Authorization to Declare Surplus Property

4.18.1 The Director General may declare property of no further use to the Institute to be surplus. Documentation shall be retained on all property disposed of.

- 4.18.2 All capitalized assets, equipment, property and materials owned by the Institute, regardless of where located, which is to be exchanged or sold shall be referred to the Unit responsible for Physical Resources and Services for disposition. That unit will determine if such items are excess to the needs of the Institute, compare costs of transferring and/or repairing to the cost of a new purchase, and issue instructions for disposition. The Deputy Director General shall review and approve those dispositions.
- 4.18.3 All equipment, property or material that is declared unsalable because of obsolescence or other reasons shall be donated to an appropriate institution as designated by the Director General.
- 4.18.4 Equipment sent to the field in emergencies or by special agreement may be disposed of at the instructions of the Director General. In each case such disposition will be accounted for and appropriate documentation shall be maintained.

Rule 4.19 Annual Reporting Requirements

As of December 31 of each year, an accounting of the fixed assets fund shall be made. A statement of assets and investments in fixed assets (fund balances) shall be prepared along with a statement of changes in investment in fixed assets to reflect acquisition and disposition of property during the year.

Rule 4.20 Rentals, Leases, and Insurance

- 4.20.1 The General Directorate, through the Deputy Director General, shall review on a yearly basis all the insurance policies, rentals and leases in order to determine if the most cost/beneficial and timely service is being provided (Articles 90 and 93).
- a. Offers shall be solicited using the process established by Rule 4.10 for meeting the needs of the Institute if the above review requires it, or at least every three years. The offers shall be reviewed by a special committee made up of the Deputy Director General and two other officials designated by the Director General. If the low offer is not recommended, the reasons for rejection shall be fully documented and become part of the file.
 - b. To determine the greatest cost savings for the Institute, major suppliers shall be solicited as well as brokers and administrators of consolidated programs.

CHAPTER V

AUDITING

		<u>Page</u>
Section A:	<u>Internal Audit</u>	
5.1	Office of Internal Audit.....	43
5.2	Responsibilities.....	43
5.3	Annual Working Plan.....	43
5.4	Unscheduled Audits.....	44
5.5	Temporary Suspension.....	44
5.6	Audit Manual.....	44
5.7	Cooperation by Staff Members.....	44
5.8	Reports.....	44
Section B:	<u>External Audit</u>	
5.9	External Auditors and Reports.....	44

CHAPTER V

AUDITING

Section A Internal AuditRule 5.1 Office of Internal Audit

The Director General shall appoint an Internal Auditor, along with appropriate staff necessary to conduct the Institute's Internal Audit Plan (Article 93).

Rule 5.2 Responsibilities

5.2.1 The Unit of Internal Audit shall have the following responsibilities:

- a. To determine whether the regulations and procedures of the Institute are being correctly observed.
- b. To examine systematically the official transactions and the use of internal controls, and identify any irregularities or alterations in the application of established standards that may affect the orderly conduct of the Institute.
- c. To formulate a Working Plan under which the Office of Internal Audit may precisely evaluate the degree of adherence to the provisions for administrative, accounting and financial guidance of the Institute, and of compliance with commitments derived from agreements and contracts.
- d. To see that detailed, up-to-date controls are maintained of goods in all Institute offices.
- e. The Office shall be directly responsible to the Director General.

Rule 5.3 Annual Working Plan

5.3.1 The Annual Working Plan of the Office of Internal Audit shall be submitted for the consideration and approval of the Director General. This Working Plan shall specify actions to be performed, broken down into two clearly defined sections:

- a. Systematic Plan, identifying the means, place, timetable and cost of regular and on-going auditing tasks to take place in the different offices of the Institute.
- b. Selective Plan, specifying the means, place, timetable and cost of auditing tasks that must be performed in selected offices, as a result of special needs.

Rule 5.4 Unscheduled Audits

5.4.1 If unforeseen, unscheduled situations should arise, or if the Director General should so decide, the Unit of Internal Audit shall proceed to perform auditing tasks geared to changing circumstances, in all cases with the prior approval of the Director General.

Rule 5.5 Temporary Suspension

5.5.1 The Unit of Internal Audit may temporarily release from their normal functions, those persons whose actions or units are subject to special audit or investigation, always with the prior authorization of the Director General.

Rule 5.6 Audit Manual

5.6.1 The Director General shall prepare and publish an Internal Audit Manual to contain procedures and mechanisms for the operation and implementation of the duties and tasks of auditing, including methodological specifications to be applied to regular or special auditing operations. The Manual shall be consistent with generally accepted auditing principles applicable to, and identifiable with, the Institute's standards (Article 93).

Rule 5.7 Cooperation by Staff Members

5.7.1 Institute staff members are obliged to provide all cooperation that the Unit of Internal Audit may request in the performance of its duties. Any documental information required must be presented and turned over to this office. Institute staff members shall refrain from issuing orders or giving instructions that may interfere with or impede the work of in-house control.

Rule 5.8 Reports

5.8.1 All reports, evaluations and recommendations produced and prepared in the Unit of Internal Audit shall be submitted directly to the Director General, who shall make a decision concerning the application of corrective measures or provisions, or other measures recommended by the Unit of Internal Audit.

Section B External Audit

Rule 5.9 External Auditors and Reports

5.9.1 Every two years, through a bid system, the Director General shall obtain proposals from firms specialized in External Audit, to perform auditing operations for the Institute on an annual basis.

Proposals received through this method shall be submitted to the Board for consideration (Article 2.h, Rules of Procedure of the Inter-American Board of Agriculture; Articles 6.a and 94, Rules of Procedure of the General Directorate).

The reports of the External Auditor shall be prepared independently of the Director General and submitted to the Executive Committee at its first meeting subsequent to the audit of the previous year, and subsequently to the Board.

ESTABLISHMENT OF UNIFORM STANDARDS

The Director General, upon receipt of recommendations from the Board, shall establish such supplemental directives to these rules as deemed necessary to provide for uniformity of calculations, e.g., payment of accrual of employee benefits (i.e., annual leave, termination benefits, home leave and other allowances) and any other accounting formula necessary to account for and record the financial activities of the funds. (Article 90).

APPENDIX

APPENDIX

DEFINITIONS

Accomplishment	The result of the execution of an activity, projected and/or actual, which can be measured by quantity, quality and/or cost.
Allocation	The amount of funds approved by the Director General and assigned to units for obligation.
Appropriation	The amounts available for allocation as a result of the approval of program-budgets by the Board. These amounts will be recorded and controlled on a fiscal year basis.
Capital Assets	Land, buildings, roads, fences, and integral components of buildings, all with a serviceable life of 15 or more years.
Direct Costs	The expenses of performing a task or activity directly associated with, and benefiting, a specific project.
Disbursement	A payment of funds to satisfy a prior or current obligation and which depletes cash resources. An obligation and a disbursement may occur simultaneously. Synonymous with the terms "expenditure" and "payment".
Financial Plan	A document which sets forth that total amount of funds contained in an agreement, how such funds will be expended by periods of time, and the amount of funds to be expended by object of expenditure. The plan is consistent with the technical execution of the agreement.
Formal Process to Conclude Contracts	A process by which written proposals of needs are issued to several vendors (three or more) requesting their written offers of time, price and ability to supply the needs. The offers are formally reviewed, and the one that is most favorable is awarded the contract.
Fraud	Conduct which is consistent with an insidious scheme or subterfuge, with the intention of obtaining an illicit benefit.
Fund Advances	The disbursement of funds to a person or entity for a specific purpose prior to making or recording an expenditure. The receipt of funds for a specific purpose prior to making or recording an expenditure.
Indirect Cost	The expenses of performing a task or activity, all or part of which cannot be determined to benefit a specific project.

Institute	As used in these rules, the term means all organizational elements of IICA regardless of their location.
Liabilities	Items, such as invoices or contracts payable in which vendors and others have a monetary interest.
Obligation	An approved commitment to make future expenditures and which decreases a corresponding amount of allocation and appropriation.
Obligation Accounting System	A system in which obligations are immediately recorded in order to encumber funds for future payments. Such a system aids in preventing overobligation of allocations, signals the future need for cash, and assists in maintaining cash solvency. A cash disbursement system, on the contrary, records the transactions after cash expenditures which can adversely effect cash solvency, especially in a geographically disperse organization.
Parts and Supplies	Items such as paper, pencils, vehicle parts, and materials used for repair, all of which are consumable and generally have a life span of less than one year.
Plan of Operation	A document which sets forth the amount of obligations to be incurred by object of expenditure by time period for activities and projects. The total of the plans for a unit equals the allocation of funds to that unit.
Program-Budget	A document which sets forth proposed funding levels and descriptions of programs and projects. The amount of funds in the Program-Budget as approved by the Board becomes the fiscal year appropriation.
Property	Items of equipment, tools, furniture, computers, calculators, typewriters, vehicles, and others with a serviceable life of one to 15 years and which are intended for direct personal use.
Property Interests	The monetary value of all assets owned, including cash, negotiable instruments, capital assets, property and other items of value.
Reimbursement	An expenditure made for the benefit of another entity and which will be paid to the disbursing entity on presentation of a bill or invoice.
Surplus Property	Items of property or materials that are no longer needed at a specific location within IICA, or by IICA as a whole. Included are items that eventually may be declared unsalable.

Time Discounts

Offers by vendors to accept payment for goods or services supplied at an amount less than the invoice amount, provided payments are made within specific time periods.

Waste

The indiscriminate use of resources, which results in costs being higher than necessary for the execution of an activity or project. .

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The Spanish language version of this document is also available.

II CAJONIA

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