

Overview of Financial Management

Conservation International (CI) oversees internal control and financial management of CEPF in accordance with CI's financial policies and procedures. The Finance Department at CI's headquarters manages CI's global financial operations. The Department oversees the budget, daily accounting activities, government compliance, and field office accounting.

Each CI division has one or more financial staff that works closely with the home office Finance Department. The Senior Director of Finance for the Conservation Funding Division oversees the financial and information management function for the division, which includes financial planning and modeling, preparation of financial statements and other donor reports, managing the annual external audit, budget/spending plan, and revenue and cash management, and financial performance reporting for CEPF. In addition, this position is the liaison between CEPF and CI Finance and between CEPF and the financial staff of the donor partners.

Financial Systems. CI uses Oracle Financials as its accounting and human resources software. Oracle's financial management package is an industry leading integrated set of financial management and accounting applications. CI's budgeting system is also linked to Oracle and runs on an Oracle interface. CI field offices maintain their financial records in Oracle as well, submitting files monthly for review and consolidation, and allowing users with the appropriate authorities to access financial information globally. CI's Chart of Accounts includes segments for donor, cost center, function, site, and grant number. CI has established a series of donor and grant numbers to track CEPF funds.

CI also currently uses Grants Enterprise Management (GEM) system, a customized Web-based SQL database and file management system. The system is used by CI staff to manage portfolios of grants and contracts. The system enables CEPF to track the full lifecycle of a grant including all letters of inquiry and rejections, plus the proposal through project implementation to the eventual closeout. In addition to storing data and documents, the system has built-in validations to ensure the appropriate review thresholds are applied and then sends alerts and reminders to users to prompt them when action needs to be taken.

Audit. Records associated with financial transactions are kept at CI headquarters and in the field offices according to CI's Record Maintenance Policy, which requires complete documentation to be maintained for no less than three full years after the transaction for which the document supports. Each fiscal year, CI has an external audit by independent auditors of its records, accounts, and financial statements (statements of financial position, statement of activities, statement of cash-flow and related statements), including those for CEPF, in accordance with appropriate auditing principles consistently applied. Currently, the audit is conducted by Price Waterhouse Coopers, LLD (PWC), which also coordinates sample CI field office audits with its local affiliates.

A separate audit on CEPF records, accounts, and financial statements is also undertaken annually, in accordance with generally accepted accounting principles. The purpose of this external audit is to provide assurance on the financial statements of CEPF. In addition, the audit will test CEPF's compliance with certain provisions of the CEPF Financing Agreement and CEPF Operational Manual and consideration of its related internal control. This external CEPF audit will be conducted by independent auditors in accordance with Terms of Reference approved by the CEPF Donor Council.

CI will provide certified copies of its financial statements for the year audited; and the report of the auditors as well as a separate opinion on CEPF to the CEPF Donor Council no later than five months after the close of each fiscal year.

CI recently established an internal audit function with a reporting line to the Audit Committee of CI's Board of Directors. The Audit Committee approved the internal audit function and internal audit plan at its meeting in March 2007. The function has been outsourced to Falletti Weber Consulting, and the program has been launched in two regions. Internal auditors, or consultants acceptable to the Donor Council, will also conduct a specific CEPF program audit of the performance, economy, and efficiency in relation to achieving the objectives of the Fund. This program audit will be conducted in accordance with terms of reference approved by the CEPF Donor Council approximately two years from the date of this Operational Manual's approval. The report from this CEPF program audit will be provided to the Donor Council.

Once approved by the CEPF Donor Council, the terms of reference for both audits will be included in the Operational Manual.

Bank Account. CI maintains CEPF funds in a separate USD bank account and all interest earned on this bank account is used solely for CEPF. The bank account is tracked by a ledger account in CI's accounting system. All donor partner contributions are sent directly to this account. The timing and amount of each donor contribution may vary according to the individual bilateral agreements.

Funds to external grantees are disbursed directly from this account. Funds for the CEPF Secretariat will be advanced monthly in accordance with projected budget needs and based on the approved Annual Spending Plan. The projections and actuals are reconciled each month. Reimbursement for expenses on approved CI grants will occur monthly, based on actual expenses for the prior month.

Finance will reconcile both the CEPF bank account and the general CI operating bank account monthly.

Donor Reporting. Financial statements will be prepared on a quarterly and annual basis and provided to the CEPF donor partners. In addition, supplemental reporting will be provided to the donors, where additional requirements are specified in their individual funding agreements. The standard reports include the Quarterly Financial Reporting Package, the Annual External Audit, and the Annual Spending Plan and Financial

Report. CEPF will also produce a Quarterly Interim Un-audited Financial Report for the World Bank, the format for which is provided for in the Operational Manual.

The details and due dates for the annual external audit are discussed above.

The annual budget (the “Annual Spending Plan”) is due no later than April 30 of each year, for review and approval by the Donor Council, describing the funding levels of the proposed spending categories for the Fund during the next fiscal year.

Grant-level Financial Management

This section is a summary of grant-level financial management; more detailed procedures for financial management of individual grants are further explained in Section 4.

Grants of more than \$20,000. In addition to CEPF staff, CI’s Grants Resources team supports the due diligence procedures for external grant awards. This includes reviewing financial questionnaires and conducting anti-terrorist screenings of grant applicants, performing financial risk assessment of sub-grantees, and providing training and site visits to sub-grantees as needed.

The financial risk assessment process will determine the monitoring and reporting requirements for all grantees, including the Regional Implementation Teams. These procedures will determine frequency of reporting plus any audit requirements (OM 4.4.5). In addition, the complete set of CEPF standard provisions will flow down to all CEPF grantees through each grant agreement (OM 4.4.6).

Grantee payments are made based on approved quarterly financial reports and projected cash needs. This minimizes currency fluctuation and cash outstanding in grantee bank accounts.

CI’s Grants Resources team will conduct a selected sample of grantee financial site visits each year. These grantees will be selected based on grant dollar value, risk, and location. Site visits to assess both financial and programmatic performance of grantees, including the Regional Implementation Teams, is also an integral part of CEPF monitoring. The supervision plan for grantees will be flexible and reflect the number of regions and grants active at a given time.

Grants of \$20,000 and less. Regional Implementation Teams will award all grants of \$20,000 or less in new regions approved for investment beginning in FY 08. Each team will be directly responsible for evaluating the programmatic and financial risk of its grant awards and may use the risk assessment model as a tool to guide its assessments. All grants awarded and activities supported with CEPF funding must be in compliance with the policies and procedures outlined in the CEPF Operational Manual, including all financial protocols. All Regional Implementation Teams will receive training in the Manual’s policies and provisions within 90 days of appointment.