| **Principle #** | **Category** | **Description of Principle** | |
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| **CHAPTER I: ORGANIZATION** | | |
| I-1 | Food Aid Policy | Commodity management organizations should develop and publish, for their own use and that of the public and the donor organizations, clear statements of the organization’s purpose and operating principles guiding the use of food aid. | |
| I-2 | Commodity Responsibilities | Commodity management organizations should establish systems that will enable them to exercise accountability for commodities until the commodities are issued to target recipients for consumption, even if disbursement and logistical control over the commodities are exercised by sub-recipient commodity management organizations. | |
| I-3 | Organizational Arrangements | Commodity management organizations should establish comprehensive, up-to-date organizational systems for commodity matters that define staff responsibilities with clearly delineated lines of authority. | |
| I-4 | Functional Responsibility Statements | Commodity management organizations should provide staff involved in commodity accountability with clear descriptions of their individual job requirements and responsibilities. | |
| I-5 | Commodity Accountability Policies and Procedures Manual | Commodity management organizations should maintain Commodity Accountability Policies and Procedures Manuals that describe the organization’s policies and procedures. | |
| **CHAPTER II: FINANCIAL ACCOUNTABILITY** | | |
| II-1 | Chart of Accounts | Commodity management organizations should maintain a Chart of Accounts that describes the accounts used to record commodity transactions and provides a basis for fairly presenting financial data in published statements and reports. | |
| II-2 | Commodity Values | Commodity management organizations should establish and use accounting policies that specify reasonable, standard bases for valuing and accounting for commodities. | |
| II-3 | Documents and Records | Commodity management organizations should maintain documents and records that accurately reflect all transactions involved in the receipt and disposition of all commodities up to the point where the commodities are issued for distribution or consumption. | |
| II-4 | Commodity Records and Documents Safeguards | Commodity management organizations should establish and implement procedures for adequately safeguarding commodity records and documents. | |
| II-5 | Commodity Transaction Recording | Commodity transactions should be recorded in a timely manner so that the organization’s financial records provide the current status of commodity inventory balances, issuances, and value. | |
| II-6 | Commodity Accounting Staffing | Knowledgeable staff trained in commodity accounting should perform commodity accounting. | |
| **CHAPTER III: INTERNAL CONTROLS AND AUDIT** | | |
| III-1 | Internal Control Systems | Commodity management organizations should establish and maintain systems of internal control over commodity transactions, which ensure that its policies and procedures are being followed. The systems will also provide reasonable assurance that the assets of the organization are efficiently managed and used for their intended purpose. | |
| III-2 | Separation of Duties and Responsibilities | The organizational structure of a commodity management organization should ensure the proper separation of duties and responsibilities of its staff as a critical part of an effective system of internal controls. | |
| III-3 | Internal Audit | Commodity management organizations should provide for periodic internal audits of their commodity accountability systems to assess the reliability of the systems as a whole and to ensure that the systems function at the desired levels of efficiency and effectiveness. | |
| III-4 | External Audit | Commodity management organizations should have a plan for supplementing internal audit activities through the use of outside certified public accounting firms. Outside audits can address whatever examination needs management may have, but, at a minimum, annual financial statement audits should be directed to expressing opinions about the organization’s results of operations and its compliance with laws and regulations, including those applicable to federal financial assistance programs, and the adequacy of the internal control systems. | |
| III-5 | Compliance | Commodity management organizations should comply with the terms and conditions of all contractual arrangements entered into, or be prepared to justify why compliance was not possible or necessary. | |
| **CHAPTER IV: COMMODITY INVENTORY MANAGEMENT** | | |
| IV-1 | Inventory Control | Commodity management organizations should maintain inventory control over commodities entrusted to them up to the point where the commodities are turned over to another organization responsible for exercising similar management control over and responsibility for the commodities. | |
| IV-2 | Storage and Handling | Commodity management organizations should establish and use appropriate storage and handling procedures to protect the quality of commodities and guard against undue losses. | |
| IV-3 | Inventory Records | Commodity management organizations should maintain a perpetual system of inventory records at all management levels to record and report commodity receipts, issues, and adjustments to inventory. | |
| IV-4 | Inventory Verification | Warehoused commodities should be physically counted regularly, no less than annually, by persons other than those involved in the receipt and issuance of commodities at the warehouse level. The results of physical inventories should be compared with the related commodity accounting records, and the records adjusted accordingly by authorized personnel. Recurring physical inventories made by outside staff should be supplemented by periodic counts made by warehouse staff as part of their commodity management responsibilities. | |
| IV-5 | End-Use Checks | Commodity management organizations should establish and implement procedures for making end-use checks of commodities to ensure that commodities reach intended beneficiaries and that the commodities are used for agreed-upon purposes. | |
| IV-6 | Accountability and Liability Limits | Commodity management organizations should ensure that accounting and accountability responsibilities and liability limits for accepting and using resources are clearly specified in agreements and contracts with donors, sub-recipient organizations, transporters, and suppliers of goods or services. The agreements and contracts should be legally binding and specify the period for which they are in force. | |
| IV-7 | Loss and Claim Documentation Procedures | Commodity management organizations should develop and implement specific procedures for estimating and assessing commodity losses, and pursuing and resolving claims. These procedures should be referred to in any contractual agreements entered into with sub-recipient organizations, donors, and host government agencies. | |
| IV-8 | Commodity Reporting | Commodity management organizations’ field offices should prepare annual summary reports for their commodity activities and make them available to headquarters staff, donors, host governments, and other counterparts. | |