The role of Non-Governmental Organizations (NGOs) world over is to supplement the government agencies in providing services to the people. NGOs are formed as a result of certain needs identified by individuals or groups of individuals. Most NGOs are involved in research and provision of services to supplement the efforts of the government agencies. Financing of NGOs is largely by donors while management is by individuals who oversee the programmes of the organization. The donors rely on the managers of these programs for the full management of their finances and implementation of the programs. In Kenya, management of these NGOs has had a few controversies. These could be due to the inability of the local managers to effectively run the affairs of the organizations. The most talked of is the financial management. The study has been prompted by the controversies to find out how the finances of NGOs are managed. The objectives of this study included; determination of the factors that affect effective financial management of NGOs; assessing the extent that these factors affect financial management of NGOs; drawing policy implications on the financial management of NGOs and; to suggest why and means of enhancing good financial practices among the NGOs. The study design adopted was descriptive survey. The target population of this study was 200 Local Non-governmental organizations. The sample design for the study was both purposive and random sampling involving a sample size of 30 NGOs. Data for the study was collected through questionnaire and analyzed using statistical tools which included frequency distribution. The study results are presented using tables and graphs. The study has revealed that financial management in NGOs is ineffective. The study has also established that lack of necessary training and relevant skills are amongst the factors that have led to ineffective in financial management amongst the local Non-governmental organizations. In conclusion it has been proposed that the lack of relevant skills and lack of training be addressed by the willing funders, as this will ensure that the NGOs effectively manage the funds donated by the funders.