

Chapter 7:

Supply Chain Management



Cover photo: A man fleeing the border. Catholic Relief Services is responding to the urgent needs of Sudanese refugees in Chad who have fled escalating conflict in western Sudan's Darfur region. Photo by Kevin Hartigan/CRS.

© 2011 Catholic Relief Services – United States Conference of Catholic Bishops

228 West Lexington Street
Baltimore, MD 21201 – USA
pqsrequests@crs.org

Download this and other CRS publications at www.crsprogramquality.org.

TABLE OF CONTENTS

Procurement Process Map.....	2
Purpose of This Guide.....	3
What Function Does Procurement Perform?.....	3
Summary of This Guide.....	3
Key Principles.....	5
Procurement Business Process 7.1 – Planning.....	10
Step 7.1.1 – Demand Planning.....	11
Step 7.1.2 – Supply Planning	14
Step 7.1.3 – Balancing Supply and Demand	17
Step 7.1.4 – Plan Logistics Network	20
Procurement Business Process 7.2 – Sourcing.....	23
Step 7.2.1 – Request	24
Step 7.2.2 – Purchase and Acquisition	27
Step 7.2.3 – Contracts	31
Step 7.2.4 – Manage Shipping	34
Step 7.2.5 – Manage Payments	38
Step 7.2.6 – Manage Suppliers	42
Procurement Business Process 7.3 – Fulfillment.....	45
Step 7.3.1 – Warehouse and Inventory Management	46
Step 7.3.2 – Distribution	53
Step 7.3.3 – Fleet Management	56
Procurement Business Process 7.4 – Reporting.....	59
Step 7.4.1 – Reporting and Record Keeping	61
Compliance Checklist for Procurement.....	64
Glossary.....	75
References	84

Appendix A: Sample Inventory Report Form.....	85
Appendix B: Sample Waybill	86
Appendix C: Sample Goods Received Note	87
Appendix D: Sample Commodity Status Report.....	88
Appendix E: Sample Recipient Status Report	89
Appendix F: Sample Bed-Net Supply and Distribution Report	90
Appendix G: Sample Procurement Officer Job Description	91
Appendix H: Sample Assistant Procurement Officer Job Description	93
Appendix I: Sample EFR Logistics Officer Job Description	95

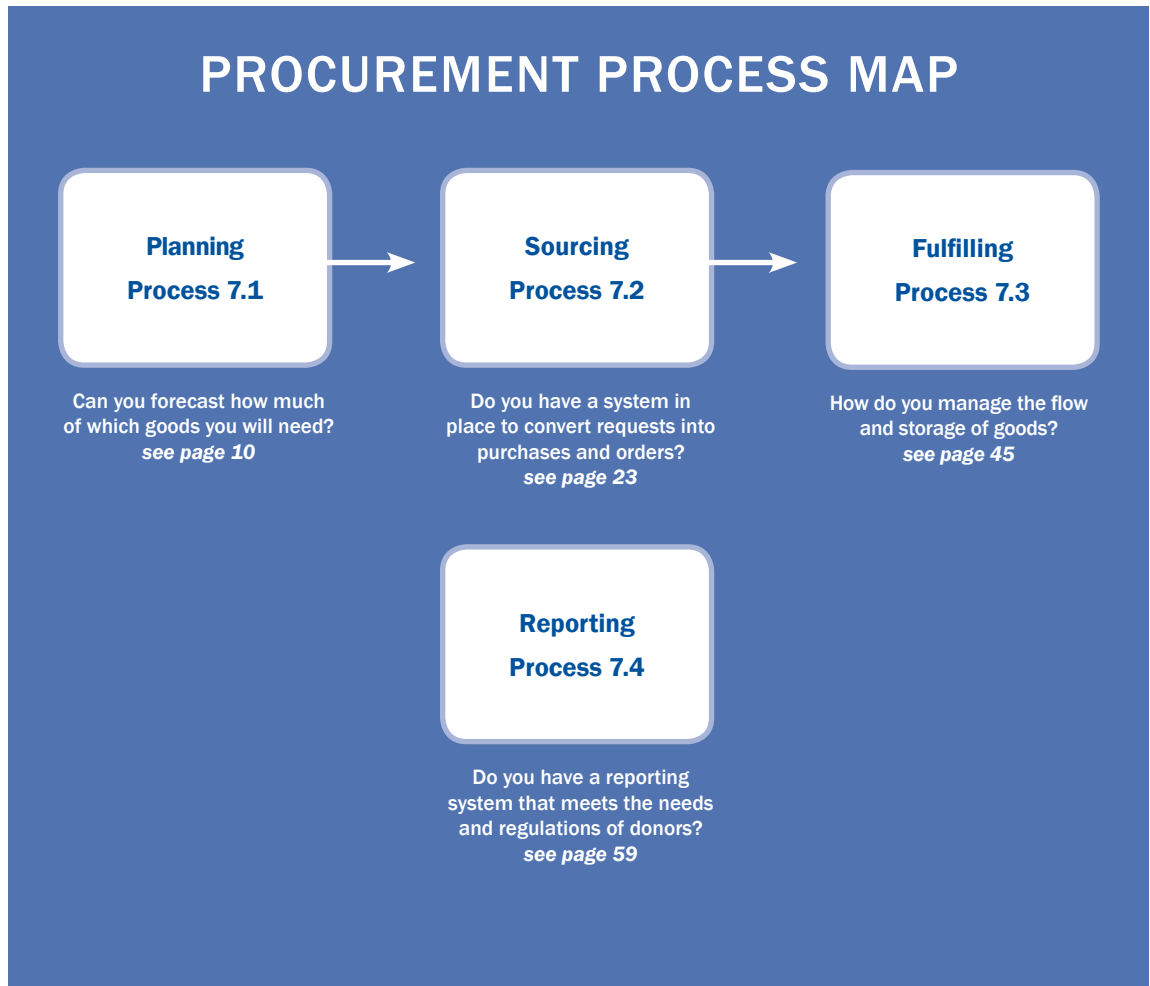
CHAPTER 7: SUPPLY CHAIN MANAGEMENT

MARIL GROBEL FOR CRS



Missionaries of Charity's
Gandhiji Prem Nivas Leprosy
Centre near Kolkata, India,
where leprosy patients receive
treatment and learn how to live
and work with their disabilities.
Started by Mother Teresa in 1958.

PROCUREMENT PROCESS MAP



PURPOSE OF THIS GUIDE

The guidelines presented herein are a compendium of supply chain management (SCM) business descriptions, requirements, minimum standards, and best practices intended to aid an organization's management and staff in the development and/or enhancement of their SCM policies, procedures, and practices.

Organizations interested in developing or improving their business processes and related policies and procedural manuals will use the information in this guide in different ways. Each and every organization has its own unique understanding, interpretation, and implementation of SCM business processes.

WHAT FUNCTION DOES PROCUREMENT PERFORM?

Every organization needs to procure, store, and distribute goods, materials (products), and services to support its activities. In addition, organizations must manage and monitor the products as they move into and out of the store or warehouse.

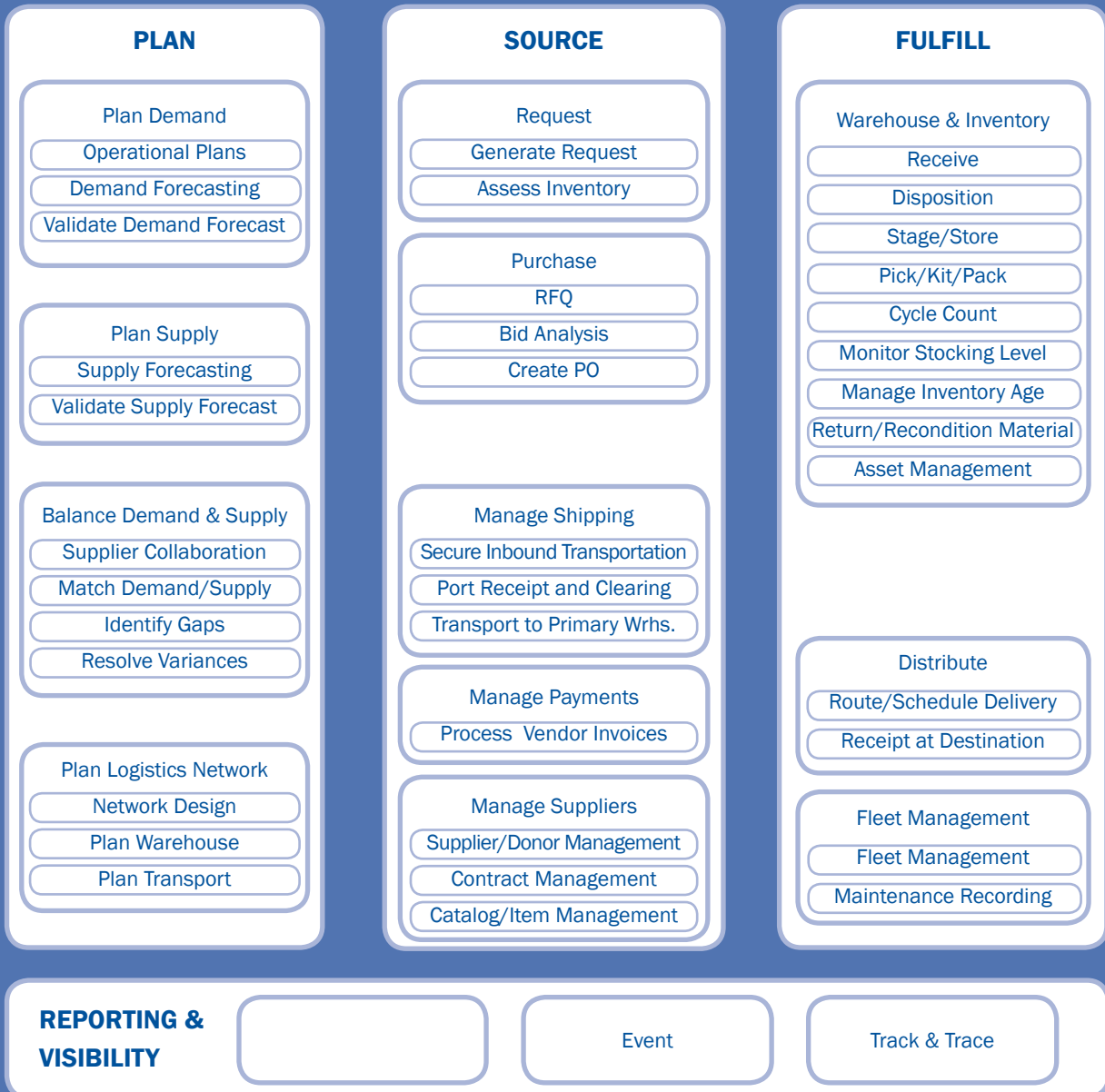
The components of SCM—procurement, transport, warehousing, and inventory management—are important business processes that allow an organization to obtain optimal value for resources expended on goods and services. The effective management of resources through sound procurement, warehousing, and inventory management processes contribute to the achievement of the operational and strategic goals of a project and an organization. Efficient and effective SCM processes reflect professionalism, compliance, fairness, reliability, and transparency to the organization's constituencies (members, donors, recipients, local authorities, and the general public). Therefore, SCM requires considerable attention.

There is no one correct way to establish SCM policies and procedures. Factors such as the size of the organization, the availability of vendors to supply necessary goods and services, and the cash flow and credit of the organization will influence the organization's approach to procurement. The size of the organization will also impact the formation of SCM policies and procedures.

SUMMARY OF THIS GUIDE

This guide covers the procurement of goods, materials, and services and the storage and management of inventories. It is sub-divided into four sections: Planning, Sourcing, Fulfillment, and Reporting. Each one of these sections is associated with specific reporting and record-keeping requirements.

THE PILLARS OF SCM



The first SCM pillar contains sections that focus on core SCM planning processes that include demand planning, supply planning, balancing supply and demand, and logistics planning.

The second pillar contains sections that focus on SCM sourcing processes including requests, purchases, suppliers management, donation management, shipping management, and payment management.

The third pillar focuses on fulfillment processes, with sections on warehousing, inventory management, and distributions and asset management.

Reporting is used throughout each of the three pillars to facilitate transitions and enable communication.

It is recommended to use the HOCAL assessment tool (see Chapter 2) and the pillar questionnaires (found at the beginning of each section) before reading the guide in order to select relevant sections for each organization or user. Depending on the needs of the organization, it may not be necessary to read all the sections or chapters.

KEY PRINCIPLES

1. Key Principles Overview

The SCM process is guided by principles that provide guidance. When properly applied, they lead to best practices in the SCM process. The principles include:

a. Competition, Transparency, and Openness

Procurement activities will be conducted in an open and impartial manner using transparent, open purchasing processes, adequately testing the market, avoiding biased specifications, and treating all suppliers consistently and equitably, so that potential vendors and donors can have confidence in the outcome of the procurement process.

b. Value for Money

Agencies must pursue value for money purchasing outcomes (e.g., through weighing the benefits of the purchase against the cost of the purchase) taking into consideration the following factors:

- i. The purchase meets specifications
- ii. Quality assurance
- iii. The capacity of the supplier (e.g., their managerial and technical abilities)
- iv. The advantages of buying locally, which may include such benefits as better delivery times, local backup and servicing, and the availability of spare parts

c. Compliance With All Legal and Regulatory Requirements

All procurement will be made in accordance with the legal regulations of the jurisdiction and comply with all donor regulations.

d. Internal Controls and Risk Management Measures

To the extent possible, internal control mechanisms and risk management measures will be put into place to safeguard resources. This is covered in greater detail below.

e. Conflict of Interest

The organization and its staff shall at all times avoid situations in which private interests conflict, might reasonably be thought to conflict, or have potential to conflict with the organization's mandate. This is covered in greater detail below.

f. Traceability

Each product that enters the supply chain needs to be individually recorded and remain fully traceable throughout the chain, from planning to post-distribution reporting.

g. Accountability

Organizations need to ensure that they are accountable for all goods and services they procure, store, and distribute or use. Regular reporting is necessary to provide constituencies with a clear picture of the supply chain status. All processes and information are subject to audit.

2. Key Principles: Detailed Internal Controls**a. Internal Control Basics**

Employees conducting business transactions on behalf of the organization hold a position of trust that dictates their actions should be governed by the highest standards of personal and business conduct. The organization does not purchase products or services for the personal use of its employees, except under specific programs as approved by the Executive Board. All transactions must be undertaken for the exclusive benefit of the organization and its mission.

b. SCM Internal Control Minimum Requirements

- There is an approval authority matrix and all requisitions and purchase orders are approved as per the matrix.
- There is segregation of duty between the different functions.
- Conflict of interest is declared and managed.
- Gifts, donations, and gratuities are managed in the best interest of the organization and purchase ethics.
- A person does not approve his or her own requisitions or reimbursements.

c. Segregation of Duties

There may not be enough staff members to maintain the full segregation of duties. The minimum level of segregation of duties is as follows:

THE PERSON WHO	SHOULD NOT
prepares a purchase requisition	approve that purchase requisition.
sends out a quote request and conducts the bid committee meeting	receive the purchase quote.
prepares a purchase order	approve that purchase order.
issues a purchase order	receive the goods.

d. Internal Control Matrix

CONTROL AREAS	CONTROL OBJECTIVES	CONTROL ACTIVITIES
Purchase Requisition & Approval Process	Purchases are transparent.	A "Conflict of Interest" clause is implemented. Purchasers and bid committee members are required to declare any circumstance in which there is a conflict of interest.
	Items that are being purchased are intended for agency use only and not driven by personal use requirement.	Transactions are reviewed and approved by an authorized approver, have a valid business purpose, and are appropriate for the accounts to which they are charged (e.g., department, funding source, natural account, or project). An authority chart is put in practice and requisitions are approved as per authority.
		Appropriate segregation of duties between the initiator, preparer, and approver are in place.
		All items procured have been received before payment is authorized, unless an agreement to pre-pay has been arranged.
		Single invoices are never paid more than once. Final payments for goods are made only when they have been received in full and the control processes ensure that there is no duplicate payment.
		A bid committee is established.
Payment and Linkage to Finance	Payments are made on completion of a procurement process as per the agreement with the vendor.	Single invoices are never paid more than once. Payments for goods are made only when they have been received and the control processes ensure that there is no duplicate payment. Payments are made based on original purchase order and goods received notes.
	There is a proper audit trail.	Each payment voucher relates to the procurement register and controls with a valid audit trail. Each payment should contain a requisition number.
Records Maintenance	Records are stored and maintained as per local legal requirements.	There is an official filing procedure and files are retained according to the procedure. The procedure defines the naming process, the retention period, and the place and controller of files.
		Files are destroyed under proper supervision and with appropriate approvals.
		All files are backed up as appropriate.



In remote villages in the Du Layna area of Afghanistan, CRS has established 64 schools. The bulk of the schools are for girls, who traditionally do not walk long distances outside their villages to reach government-run schools.

3. Key Principles: Detailed Ethical Standards and Codes of Conduct

Ethical standards and code of conduct policies include a statement of ethical principles, practices, and expected behaviors adopted by the organization.

Such standards and codes differ from organization to organization but generally set out ethical practices as well as procedures for management of conflicts of interest, gifts and gratuities, confidentiality, and accuracy of information.

In striving to achieve an organization's mission, it is the responsibility of all those involved in SCM activities to work to maintain the good name of the organization, to keep good relations between the organization and its suppliers and service providers, and to keep in mind that personal contacts are largely the basis of the suppliers' and service providers' opinion of the organization.

a. Ethical Standards

In personal contacts with external parties, each employee represents the organization and should reflect and present the interest and needs of all functional units of the organization. Each employee must adhere to the following ethical practices:

- Consider first the interest of the organization, and adhere to its established policies, in all transactions.
- Be receptive to competent advice from colleagues and be guided by such advice without impairing the responsibility of one's office.
- Buy without prejudice, avoiding any practice preventing fair competition while seeking to obtain the maximum value for money.
- Demand full compliance with applicable business management legislation or requirements by all parties seeking to provide goods and services to the organization.
- Demand honesty in marketing or other representations made to the organization, whether these are in written, oral, or product sample form.
- Participate in professional development programs so that one's business knowledge and performance are enhanced.
- Subscribe to and work for honesty and denounce all forms of improper business practice.
- Provide prompt and courteous reception to all who contact the organization for legitimate business purposes.
- Advise and cooperate with every functional unit in the performance of their SCM duties.

b. Conflicts of Interest

Individuals engaged in SCM activities are expected to be free of interests

or relationships that are potentially detrimental to the best interest of the organization. Employees who have such interests or relationships should disclose them prior to any representations of the organization with the parties with which they have such a relationship.

Employees shall not participate in any activity or decision that involves an actual or potential conflict of interest unless the activity or decision has been pre-approved by the organization's management. If such approval has been given, any terms or conditions made by the organization's management regarding such activity or decision must be fulfilled.

c. Gifts and Gratuities

In serving the interests of the organization, no employee shall use his or her authority of office for personal benefit. To preserve the image and integrity of the employee and the organization, the organization's management should outline policies for the acceptance and disclosure of business gifts, samples, and favors.

In addition, loans are not to be accepted from parties having prospective dealings with the organization unless such parties are in the business of making loans to individuals (e.g., a bank or a credit union).

d. Confidentiality and Accuracy of Information

The majority of transactions relating to SCM activities are of a confidential nature and should be treated as such, especially regarding suppliers. It is considered unethical as well as damaging to the organization's reputation to allow information about one supplier's quotation to be passed on to another supplier.

Information given in the course of one's participation in SCM activity must be true and fair and not designed to mislead or misrepresent.

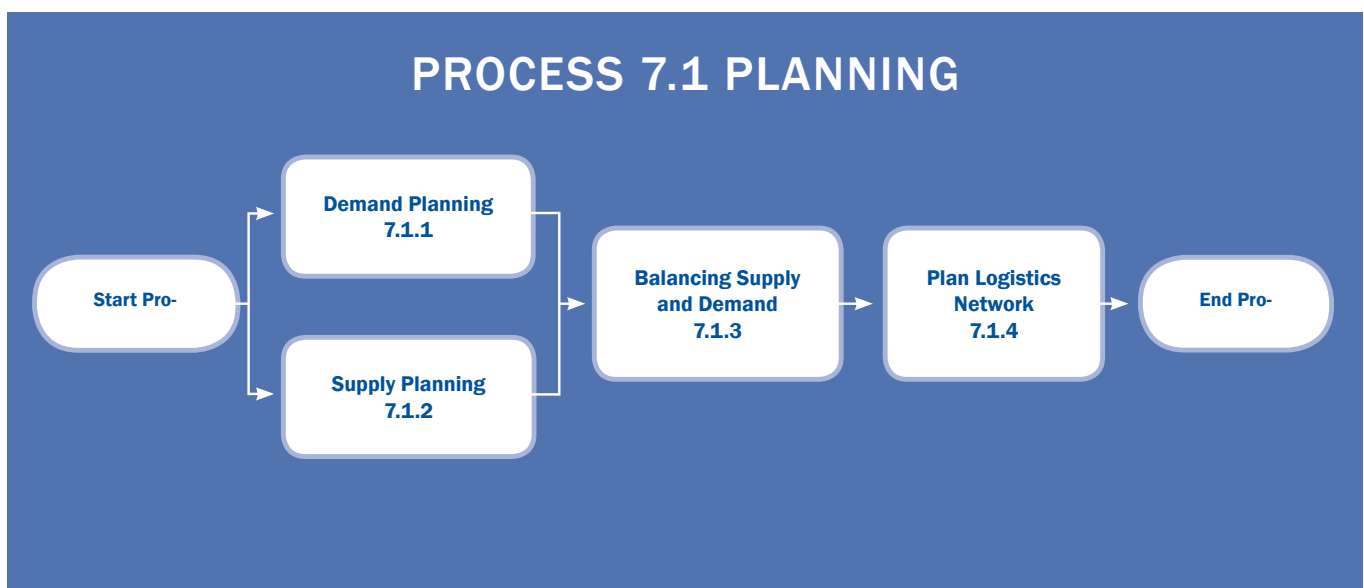
PROCUREMENT BUSINESS PROCESS 7.1 – PLANNING

PROCESS DESCRIPTION

Planning for procurement and supply chain management refers to the forecasting of goods and services, either for internal use or for distribution to external end-users such as beneficiaries of a food distribution program. The process determines supply forecasting: how much is needed, in what exact specifications, and when and where the goods and services will be needed. It also determines where and when to source goods and services and how much inventory to carry. The planning process requires good understanding of the logistic network and supply chain constraints, such as warehouse space, transport options, lead times, optimal inventory carriage, and so on.

Each supply chain needs to be planned in detail to avoid problems during implementation. Problems that need to be eliminated or minimized include, but are not limited to, inaccurate estimation of needs, poor timing of deliveries, poor definition of the needed specifications, insufficient or excessive storage capacity, and pipeline jams or breaks. A well-planned supply chain process will ensure that the right goods and services are delivered when and where they are needed.

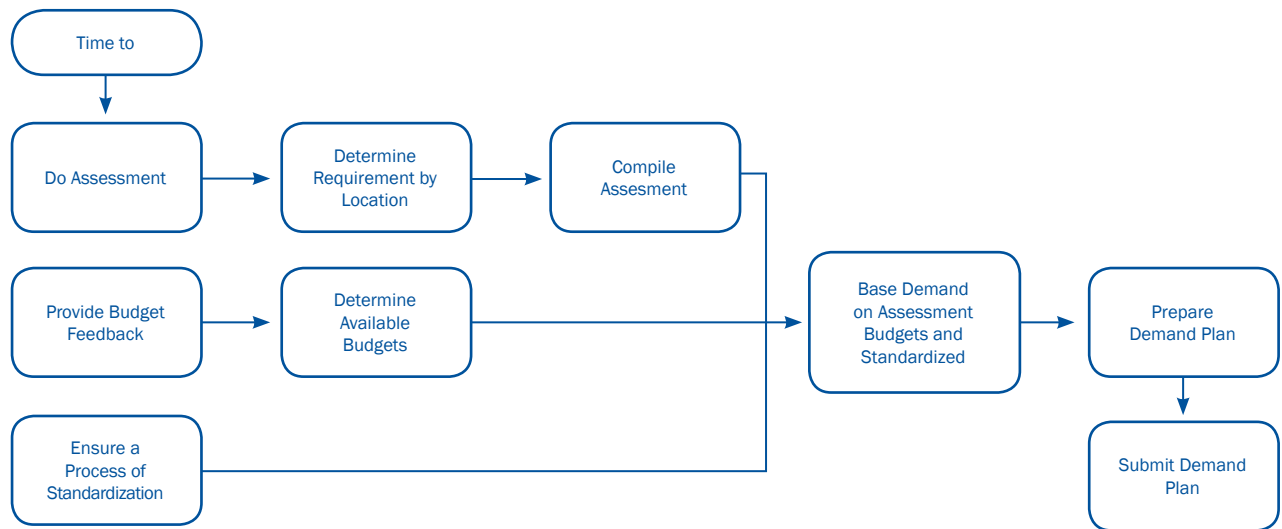
PROCESS FLOW



STEP 7.1.1 – DEMAND PLANNING

STEP NAME	DEMAND PLANNING
Step Number	7.1.1
Inputs	<ol style="list-style-type: none"> 1. Internal data (operational plans, program participant forecasts, actual distributions, inventory, incoming supplies, previous demand forecasts, technical specifications for frequently used products, revenue forecasts) 2. External data (market intelligence, national policies and guidelines, donor requirements, environmental conditions, transport and storage capacity)
Outputs	<ol style="list-style-type: none"> 1. Forecasts of required goods, materials, and services
Organizational Roles	<ol style="list-style-type: none"> 1. Budget and/or program managers lead the process of demand planning 2. Executive leadership approves demand forecasts 3. Logistics officers provide logistics information 4. Consider vendor records from previous procurement and supplies 5. Donors provide information on possible resources
Integration Points	<ol style="list-style-type: none"> 1. Finance Unit: budget allocation and funds availability 2. Procurement Unit: previous supply information 3. Logistics Unit: logistics and inventory information, usual delivery schedules 4. Resource Mobilization: information on resource forecasts
Summary	Each of the organization's program and functional areas need to create realistic forecasts for its supply needs. The forecasts need to be consolidated into a demand plan and approved by the organization's leadership.

Demand planning ensures that the organization uses a formal process for the forecasting and validating of its requirements for goods and services for program implementation. Ideal demand plans create a realistic forecast of what and how much is needed, when and where, and for what specific timeframe (such as an accounting period, or a project cycle). To accomplish this, follow the sub-steps in the chart below:



A demand planning process may be initiated in response to

- a. project/program approval or
- b. annual update of project/program.

Each program or project team and functional area of the organization needs to review its objectives for the planning period (generally one year), in consultation with the program and/or budget manager to determine the goods and services needed to achieve the objectives for the period.

The definition of needed goods and services is further developed by determining when and where goods and services are needed, and the exact specifications of what is needed. This exercise is the initial step in the demand planning, and results in a demand pipeline.

Each program team and functional area needs to liaise with the finance and/or resource mobilization units regarding budget/funds allocation and availability; the information will also be shared with the supply department for supply planning.

Procurement and supply units provide detailed product information based on previous supply experience and any required market intelligence as well as possible challenges regarding the products in the plan.

The inventory management unit provides information about pipeline and inventory management capacity for the movement, handling, storage, and accountability of the inputs.

The logistics management unit provides logistics information and assistance in forecasting product requirements, delivery lead times, and schedules.

Demand planning is complete when the demand pipeline/forecast is rationalized based on budget information and logistics/supply chain constraints.

BUSINESS REQUIREMENTS:

1. Key Features

- The plan integrates existing data sources through spreadsheets or other technology.
- The plan allows for the aggregation of multi-department plans.
- The plan provides for simple and straightforward data analysis and calculations supported by spreadsheets or other technology.
- The plan allows for the comparison of alternative scenarios according to variations in program participant numbers, products parameters, funding projections, and market conditions.
- The plan provides financial values for budget definition purposes.
- The plan delivers aggregated and disaggregated data.

2. Minimum Requirements

- All information sources are checked for accuracy and clearly referenced.
- Collaborative planning and forecasting is used where appropriate to ensure harmonization and rationalization across functional areas.
- Appropriate methods are used to develop detailed forecasts and product specifications.
- A forecasting calendar is defined; adherence to the calendar is rigorous.
- Frequent planning and planning reviews are completed.

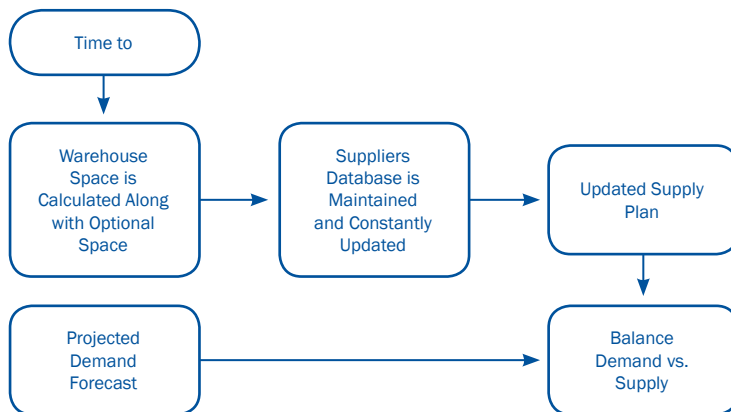
3. Best Practices

- Specific responsibility is assigned for ownership of the planning/forecasting function.
- Forecasting methodologies are approved and documented as standard operating procedure (SOP).
- Robust market intelligence and internal data are used to develop a long-term operational forecast, including detailed technical specifications for all products utilized, the current and accurate inventory levels being utilized, and current vendor data.
- A formal structured process exists to collect and analyze market intelligence and internal data from multiple sources.
- Market intelligence, internal data, and forecasting assumptions are validated and updated on a regular basis.
- There is real-time exchange of information among supply chain functions.

STEP 7.1.2 – SUPPLY PLANNING

STEP NAME	SUPPLY PLANNING
Step Number	7.1.2
Inputs	<ol style="list-style-type: none"> 1. New donor/grant information 2. Demand forecast 3. Supplier master database 4. Market information/suppliers database
Outputs	<ol style="list-style-type: none"> 1. Supply forecast 2. Order schedule 3. Gap report 4. Inventory plan 5. Contingency plan
Organizational Roles	<ol style="list-style-type: none"> 1. Logistics managers lead the process 2. Budget and/or program managers review and approve the supply planning process 3. Vendors provide information useful for the planning process such as earliest supply dates, availability of material, etc. 4. Donors provide information on possible resources
Integration Points	<ol style="list-style-type: none"> 1. Program: Liaise with supply team for information on availability, specifications, etc. 2. Procurement: Provide information, market intelligence, and possible challenges for the products in the plan 3. Inventory/logistics management: Provide information on supply chain and inventory requirements 4. Finance/budget management: Budget planning, cost allocation verification, and accounting expertise
Summary	Organizations need to have an approved supply plan in order to respond to goods, material, and service needs for efficient program implementation.

Supply planning ensures that the organization uses a formal system through which supply meets the organization's demand for goods, materials, and services; maintains minimum stock for regularly needed products; and has a system of balancing seasonal and emergency demand fluctuations. To accomplish this, follow the sub-steps in the chart below.



At the time of demand planning (**Step 7.1.1**), teams from each functional area need to liaise with the supply chain management team to obtain information on product specification, availability, previous sourcing experience, and possible bottlenecks or advantages of different forecasts.

The supply chain management team should provide the demand planning team with information regarding previous supply experience and any required market intelligence and possible challenges related to the products in the plan.

Information about the inventory management capacity and constraints will provide a good basis for planning the supply flow, delivery and dispatch schedules, frequency, lot sizes, and handling requirements.

The finance unit should provide necessary budget and cash flow information to ensure timely and realistic spending on goods, materials, and services.

Often, demand and supply planning (**Step 7.1.1** and **Step 7.1.2**) are done simultaneously as an organization-wide collaborative effort. This results in an exercise of balancing demand with supply (**Step 7.1.3**).

1. Key Features

- The plan integrates with existing data sources through spreadsheets or other technology.
- The plan allows for the aggregation of multi-department supply requirements.
- The team is able to calculate minimum and maximum orders based on demand forecasts of required goods, materials, and services.
- The plan incorporates lead times (supplier, distribution time, customs clearing, etc.) into the supply forecast.
- The plan considers current stock levels, in-progress purchase orders, and in-transit deliveries.

- The plan provides for simple and straightforward reporting containing a recommended purchase schedule for short-term, mid-term, and long-term forecasts of required goods, materials, and services, supported by spreadsheets or other technology.
- The market intelligence and suppliers database is able to factor in distribution constraints to determine when, where, and how products will be procured and stored (e.g., capacity, resources, storage space, handling conditions, shelf life, etc.).

2. Minimum Requirements

- Specific responsibility is assigned for the supply planning function.
- All data sources are checked for accuracy.
- Supply planning processes are approved and documented as standard operating procedure (SOP).
- Robust market and vendor intelligence is used to develop short-term, mid-term, and long-term forecasts of required goods, materials, and services.

3. Best Practices

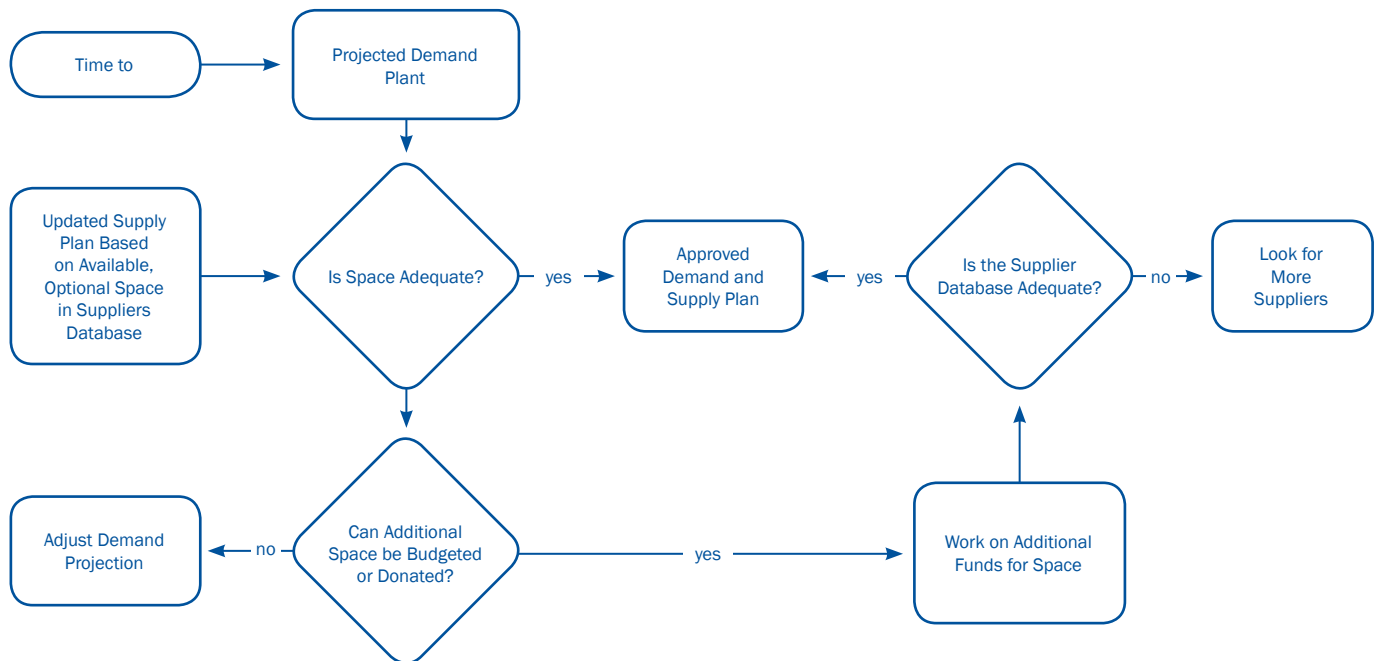
- A vendor list or database utilizing spreadsheets or other technology is developed and maintained.
- A formal structured process for collecting and analyzing market and vendor intelligence from multiple sources is developed.
- Assign separate responsibility for the maintenance of market intelligence and the upkeep of the vendor database.
- Market and vendor intelligence is validated and updated on a regular basis.
- Real-time exchange of information is carried out among supply chain functions.
- Products are classified and an account coding structure is designed for easy identification and communication by users.
- Goods, material, and services requirements are balanced with storage and transport capacity limits, inventory levels, and supply chain schedules.
- Storage capacity and transport capacity are calculated and options for additional capacity is continuously researched and documented.
- Early warning systems to detect supply chain threats and adverse trends within the supply chain are maintained.
- Regular, positive, and transparent relationships with designated key vendors are maintained.

STEP 7.1.3 – BALANCING SUPPLY AND DEMAND

STEP NAME	BALANCING SUPPLY AND DEMAND
Step Number	7.1.3
Inputs	<ol style="list-style-type: none"> 1. Demand plan 2. Draft supply forecast 3. Budget and fundraising information 4. Supplier information
Outputs	<ol style="list-style-type: none"> 1. Procurement supply and consumption pipeline 2. Supply gap report and reconciliation
Organizational Roles	<ol style="list-style-type: none"> 1. Procurement officer prepares the schedule of materials as per planning needs 2. Budget and program managers review and approve the planning process 3. Organization's executive officer or board of directors approves the process 4. Finance officer provides information and inputs to the forecast process 5. Administrative officer facilitates the supply function
Integration Points	<ol style="list-style-type: none"> 1. Finance officer: Aligns financial planning to the procurement pipeline 2. Administrative Officer: Carries out timely service provider selection and contracting; handles contract administration
Summary	The organization-wide consolidated and budget-aligned demand pipeline needs to be analyzed and adjusted to meet supply chain management constraints and to allow for rationalization and efficiency in supply, storage, handling, and distribution or usage.

Once the organization's project needs have been estimated through demand planning and the supply options have been identified through supply planning, the two elements need to be aligned for the supply planning to be complete.

Often in practice, supply planning and its balancing with demand are done simultaneously as a team effort between the requesting departments or units and the procurement unit or officer. In this case, the supply planning process described above (**Step 7.1.2**) is a theoretical step. To accomplish this, follow the sub-steps in the chart below.



The demand and supply plans need to be adjusted and balanced through a cross-functional organization or project-wide collaboration in order to complete the procurement and supply pipeline.

The finance officer should be involved in the procurement and supply pipeline definitions in order to allow for appropriate financial resource planning and to support the procurement process (particularly vendor and service providers' payment).

The administrative officer should be informed of the pipeline and discuss it with the procurement officer in order to know at what point different service providers (such as transporters) are involved in the procurement and delivery process, as well as how much warehouse space will be required. This information will allow for timely service provider selection and contracting.

1. Key Features

- The plan integrates with existing data sources through spreadsheets or other technology.
- It allows collaboration across the organization's functions for efficient planning.
- The plan provides for simple and straightforward data analysis and calculations supported by spreadsheets or other tools.
- It allows for the comparison of alternative scenarios according to variations in funding projections, logistics environment, and/or market conditions.
- It delivers aggregated and disaggregated data.

2. Minimum Requirements

- Specific process ownership responsibility is assigned for the balancing of the demand and supply functions.
- All data sources are checked for accuracy.
- Balancing supply and demand processes are approved and documented as standard operating procedure (SOP).
- The plan takes into consideration fluctuations in the demand and supply cycles and in the operating environment conditions.¹
- The pipeline needs to be approved by the executive officer and the program and/or budget managers.

3. Best Practices

- Managers have full visibility for demand and supply over the desired planning period.
- There is flexibility and responsiveness in supply-demand balancing.
- The plan provides options for meeting demand based on dynamic operating conditions.
- Substitute items and alternative sourcing and delivery options are considered and identified.
- Users have practical options for sharing with interested parties, colleagues, and other stakeholders (it is preferable that the supply-demand balancing exercise be done using an electronic document such as Excel).



DAVID SNYDER/CRS

Dr. Jon Fielder of the Kijabe Hospital consults with a fellow physician over the records of a patient. Dr. Fielder is intricately associated with the Voluntary Counseling and Testing center at the hospital, through which more than 300 patients are now receiving ARV medications provided by PEPFAR.

¹ For example, the procurement of anti-malarial medication needs to take into consideration the peak and low times for malaria infection; the procurement of agricultural commodities needs to take into consideration that prices are lower immediately after harvest; the procurement of items for areas that are hard to reach during the rainy season needs to take that into consideration.

STEP 7.1.4 – PLAN LOGISTICS NETWORK

STEP NAME	PLAN LOGISTICS NETWORK
Step Number	7.1.4
Inputs	<ol style="list-style-type: none"> 1. Pipeline 2. Order schedule 3. Inventory plan 4. Contingency plan 5. Historical transactions (shipping) 6. Maintenance records of the warehouse space
Outputs	<ol style="list-style-type: none"> 1. Warehousing market analysis 2. Transport market analysis 3. Storage facilities status report: Location, size, layout, capacity, costs, throughput, security conditions, etc. 4. Transport status report: Location, capacity, and condition 5. Risk mitigation plan: Security, maintenance, fumigation, pest control, etc. 6. Transport contract 7. Warehouse contract
Organizational Roles	<ol style="list-style-type: none"> 1. Budget/program manager provides input 2. Logistics manager leads the process 3. Fleet manager provides input to logistics manager
Integration Points	<ol style="list-style-type: none"> 1. Program planning 2. Procurement 3. Inventory management 4. Logistics management 5. Budget management
Summary	On the basis of the procurement and supply pipeline, the supply chain management team needs to plan in details the physical conditions under which the pipeline will be realized.

Logistics planning encompasses warehousing and transport planning. It includes determining warehouse locations; capacity; and conditions, including structural layout, security, and accessibility. It also involves planning how to deliver products to their intended distribution points safely and on time.

When the pipeline is approved, the physical and transactional activities and conditions for the realization of the pipeline need to be planned in detail by the supply chain and procurement units. This includes the detailed identification and evaluation of warehouses and other storage facilities as well as the preliminary vendors' and service providers' identification.

Logistics planning also includes detailed step-by-step procurement, supply, receipt, storage dispatch and distribution plans, a fleet and transport management plan, an SCM reporting plan, and staff and contractor needs analysis and planning.

1. Key Features

- The plan integrates with existing data sources through spreadsheets or other technology.
- It provides for simple and straightforward data analysis and calculations supported by spreadsheets or other technology.
- The plan allows for the comparison of alternative scenarios according to variations in warehousing and transport variables.
- It includes conducting facilities location and capacity analyses with cost considerations.
- It includes conducting transportation needs and capacity analyses with cost considerations.
- The plan examines the logistics network alternatives.
- It reacts to frequent or short-notice changes to service requirements.
- The plan provides a data repository for warehousing and transport-related data and a way to disseminate this data.

2. Minimum Requirements

- Specific responsibility is assigned for the logistics network planning function.
- All data sources are checked for accuracy.
- Logistics networks planning processes are approved and documented as standard operating procedure (SOP).
- There is a methodology that facilitates repeatable processes.

3. Best Practices

- The planning calendar is defined and adherence is rigorous.
- Collaborative planning is done.
- The plan utilizes existing data sources, including supply forecasts, order schedules, gap reports, inventory plans, and contingency plans.
- A formal structured process exists to collect and analyze market intelligence and internal data from multiple sources.
- Market intelligence and internal data are validated and updated on a regular basis.

- Real-time exchange of information is maintained among supply chain functions.
- A list of existing and potential transport service providers, their locations, capacities, and rates is maintained.
- A list of existing and potential warehouses, their locations, conditions, and capacities is maintained.

PROCUREMENT BUSINESS PROCESS

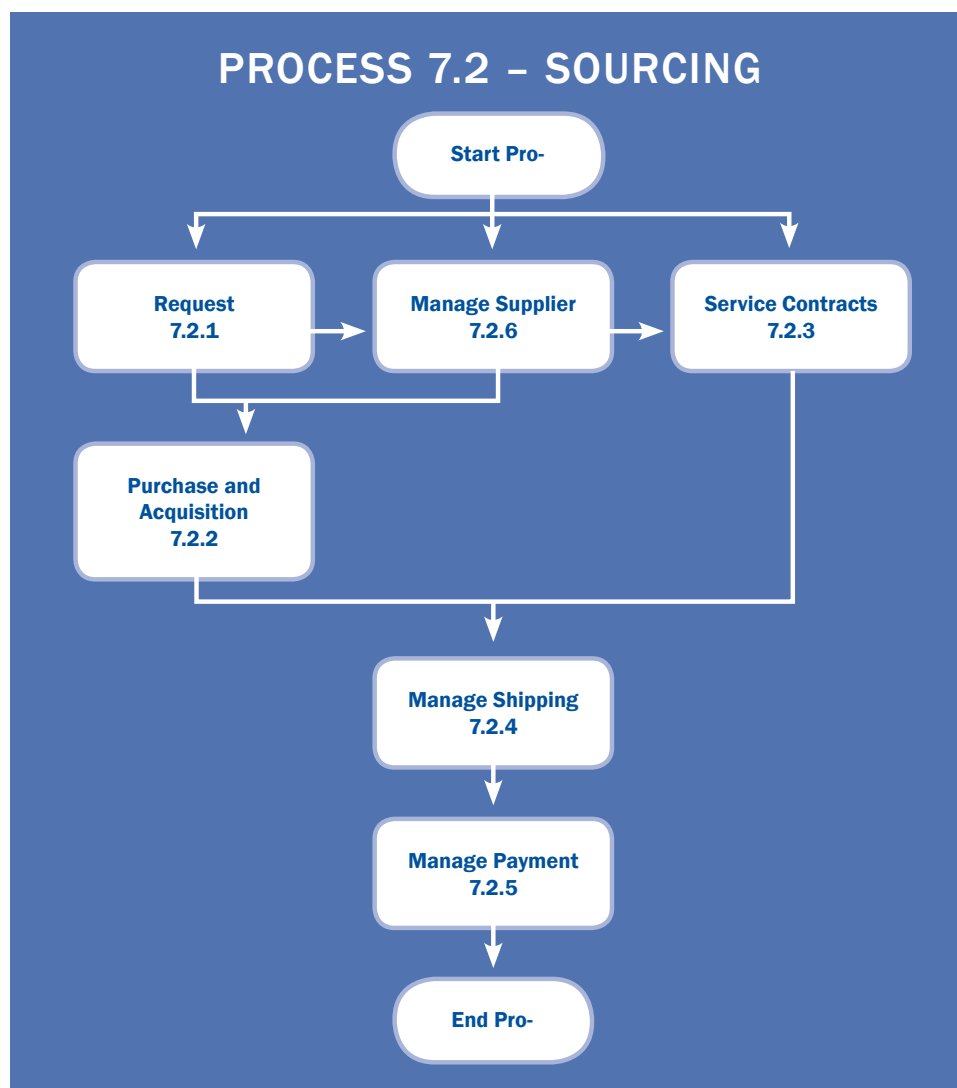
7.2 – SOURCING

PROCESS DESCRIPTION

Sourcing refers to a number of processes aimed at facilitating department/unit requests for goods, materials, and services; converting those requests into purchases securing the delivery of products or services purchased; and in the case of products, storing and delivering them to the requesting parties/end users.

Sourcing requires understanding supply market conditions; finding, evaluating, and engaging suppliers and maintaining a supplier database; and tracking and managing the movement of goods and material from vendor or donor to final destination.

PROCESS FLOW

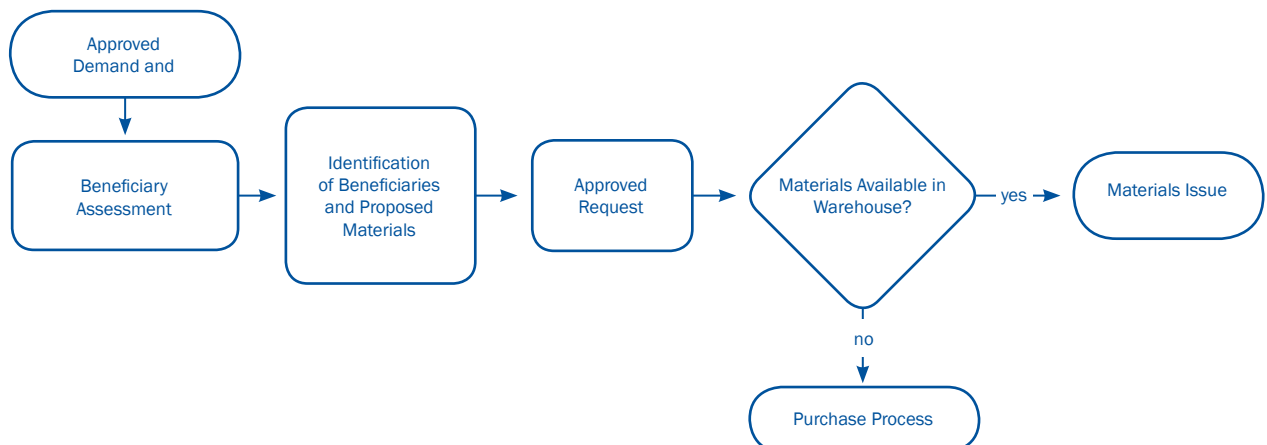


STEP 7.2.1 – REQUEST

STEP NAME	REQUEST
Step Number	7.2.1
Inputs	<ol style="list-style-type: none"> 1. Product specifications including quantity and quality descriptions 2. Destination for the products required and their intended uses
Outputs	<ol style="list-style-type: none"> 1. Approved requisition form
Organizational Roles	<ol style="list-style-type: none"> 1. Requestor 2. Budget owner/head of unit 3. Procurement officer 4. Finance officer
Integration Points	<ol style="list-style-type: none"> 1. Requestor submits request 2. Budget owner/head of unit is the approver of the system 3. Procurement officer receives requests 4. Finance officer receives copies of request
Summary	Procurement requests are generated based on an approved procurement plan.

A request for supplies is triggered by an existing need in any functional unit for either an approved project (such as food commodities or medical supplies for project beneficiaries) or for internal consumption (such as office equipment or furniture). A requestor is required to follow appropriate procedures to request supplies.

The requested goods, materials, or services (herein referred to as “products”) should already be identified in the supply and demand plan and in the approved pipeline, unless it is an unplanned or emergency need that is approved by the organization’s leadership. To accomplish this, follow the sub-steps in the chart below.



At the end of the planning process, a supply and demand plan is approved in the form of a pipeline and a logistics plan (**see Step 7.1.4**). The execution of the logistics plan starts with a request for procurement, which originates from the organization's functional unit for products either for internal consumption or for distribution to external end users (beneficiaries).

For products required for internal use, each functional unit prepares a request for goods or a request for services (RFG/RFS), preferably once a period (for example at the beginning of the financial year). The request is approved by the organization's leadership and submitted to the procurement unit for processing.

For products required for external distribution, a distribution plan is prepared by the program unit and submitted for approval by the organization's leadership. Within the distribution plan a number of required products are identified and an RFG or RFS is prepared by the distribution plan owner (requestor). The request is then approved by the organization's leadership and submitted to the procurement unit for processing and to the SCM/logistics unit for appropriate logistics planning.

For RFGs, the SCM or logistics officer checks for availability of goods in stock. If the goods are in stock, the request is fulfilled from existing stock. If the items are not in stock, a purchase process is initiated.

1. Key Features

- The plan integrates with existing information sources such as market, supplier, and product information systems.
- It reflects planning information as contained in the operation plan, approved programs, supply and demand plan, and logistics plan.
- Products are identified by the requestor (budget or program manager or other end user), who provides all relevant specifications on a purchase requisition form or RFG/RFS. In cases of recurrent products, reference may be made to previous deliveries to ensure that the selected products fulfill demand expectations.
- The requestor liaises with the procurement and/or logistics officer to identify the status of product availability and any other factors that may affect the request.
- Requisition forms are verified and confirmed by the budget owner

and/or head of department and approved by the organization's leadership before being submitted to the procurement department.

- Requests are documented using a pre-defined record-keeping system. Information is validated periodically.

2. Minimum Requirements

- Requests are documented using pre-approved procedures and forms.
- Detailed specifications and quantities are provided.
- Requests are verified and authorized by an authorizing officer (budget owner/head of unit) and approved by the organization's leadership.

3. Best Practices

- Requisition is established based on a rigorous needs and inventory assessment and upon confirmation of the availability of products required within and outside the organization through the purchasing unit.
- The requestor completes standard purchase requisition forms and provides exhaustive product specifications and delivery requirements.
- The purchase requisition form is reviewed by the budget owner or the head of the unit upon confirmation of the funding and the relevance of the request, and approved by the organization's leadership.
- The purchase requisition form is submitted to the procurement department for processing with an appropriate analysis and delivery timeframe. Frequent "urgent" requisitions are not a good practice.
- The procurement unit provides prompt initial feedback on the submitted request and keeps the requestor informed of request processing progress.
- The requestor cannot approve his or her own request.
- In cases in which the organization is requesting on behalf of a third party partner, the partner's original request needs to be included in the requisition form submitted by the requesting officer/department.
- Upon fulfillment of the requisition, the requestor provides constructive service quality feedback for performance monitoring.

STEP 7.2.2 – PURCHASE AND ACQUISITION

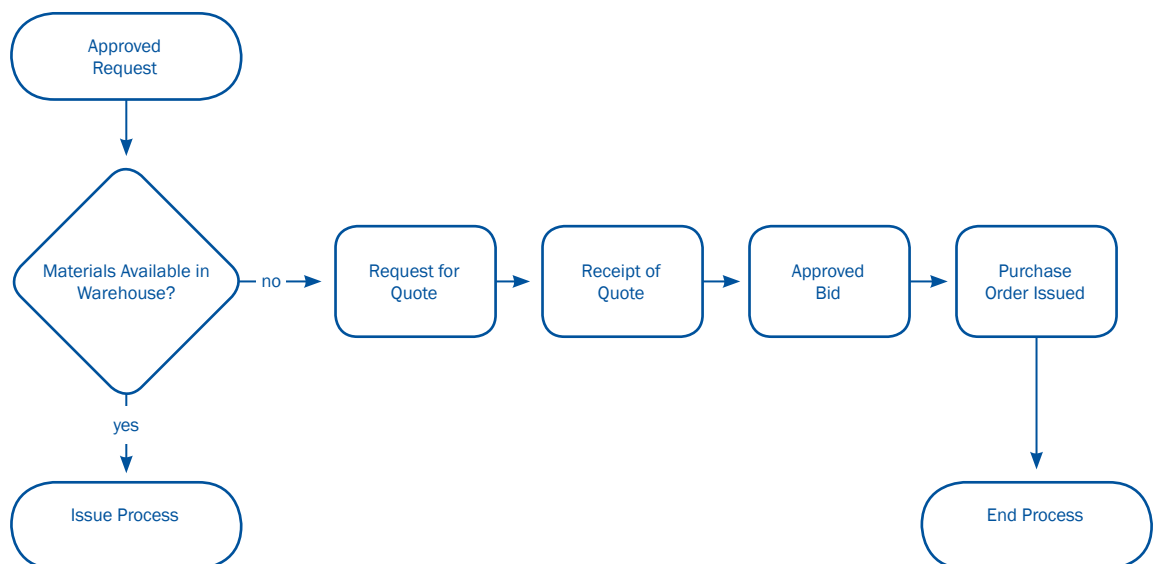
STEP NAME	PURCHASE AND ACQUISITION
Step Number	7.2.2
Inputs	<ol style="list-style-type: none"> 1. Procurement policy 2. Approved supply and demand planning and pipeline 3. Approved requisition forms 4. Approved supplier list 5. List of approved/allowable items' specifications 6. Boilerplate/sample procurement contracts 7. For recurring purchases, the existing contract including previously used negotiated unit cost
Outputs	<ol style="list-style-type: none"> 1. Request for quotations (RFQ) 2. Bid analysis report 3. Approved purchase order or contract
Organizational Roles	<ol style="list-style-type: none"> 1. The requestor 2. Procurement officer 3. Procurement committee 4. Suppliers 5. Local government authority (if necessary)
Integration Points	<ol style="list-style-type: none"> 1. Requesting unit: Initiates requisition form 2. Finance unit: Provides account coding and cash flow information 3. Procurement committee including staff from different units: Witnesses the process from RFQ to order 4. Logistics Officer: Enters products into the inventory management system 5. Compliance unit: Reviews procurement agreements 6. Organization's leadership: Grants approvals
Summary	An approved purchase request triggers a purchase process starting with a request for quotations and ending with a purchase order or contract with selected vendors.

Purchase is part of the procurement process, during which approved procurement requests are effectively processed by placing the approved purchase order with the selected supplier. The purchase process generally follows the following steps:

1. Submission of a request for quotations based on the purchase requisition form
2. Receipt of bids from prospective vendors
3. Bids analysis and selection of a supplier
4. Submission of a purchase order or a purchase contract with the selected supplier

A purchase order is created and prepared based on input from the requisition form and the quote received from the selected vendor. Purchase of materials, goods, and services (herein referred to as “products”) should be ordered either on a purchase order form or using an approved procurement contract.

In the case of in-kind donations, the acquisition process consists of placing a delivery request or call forward, or accepting a donation notice or transfer authorization. In this case, the organization does not select a supplier, but might be involved with the donor in the definition of product specification and delivery planning. For ease of presentation, this section focuses on purchases, with the understanding that some processes of the purchase will not be relevant to in-kind donations. To accomplish this, follow the sub-steps in the chart below.



The purchase process follows the following steps:

- The purchase request is approved if required products are not available in stock.
- The purchase officer requests quotes from vendors.
- A person other than the purchase officer receives quotes.
- The bid committee reviews the quotes. Different levels of bid receipt and approval may be decided by the organization based on the value of goods. (See “Risks Associated With Procurement” in the **Compliance Checklist** for details.)
- The organization’s leadership approves the bid comparison report.
- A purchase order or contract is prepared by purchasing officer, verified by the bid committee, and approved by the organization’s leadership.
- The purchase order or contract is issued to the selected vendors.

1. Key Features

- An information system (manual or computerized) is in place to record information, from approved purchase requisitions to the actual purchase and use of the products. This is to ensure consistency in preparing and fulfilling the purchase, as well as adequate inventory management.
- A procurement policy is in place, defining the procurement standards, procedures, and steps to be followed. The policy determines the fairness and transparency of the purchase of products, sets up approval thresholds, and sets up the thresholds of procurement values that need direct purchase without bids collection as well as those that need to go through a Request for Quotation (RFQ) and bids analysis process.
- The purchase order approver confirms that local laws and business practices allow purchase of the products in the manner used. (The procurement and handling of certain types of products follow very specific national and international rules and standards.)
- RFQs are prepared from information contained in the approved requisition.
- Tender procedures allow fair, equitable, and transparent competition.
- The purchase order allows a description of purchase conditions and rules with which suppliers should be in compliance to avoid any possible conflicts during the purchase process.
- The purchasing process and associated documents meet local government and donors' requirements, policies, and regulations.

2. Minimum Requirements

- Purchasing policies and SOPs are in place and provide clear guidance on each category of purchase, including approval thresholds and matrix.
- Purchasing terms of reference define the roles and responsibilities of purchasing staff, requestors, and the approach and strategy in dealing with suppliers.
- An approved purchase order form contains the required conditions when processing the purchase.
- There is a code of conduct that includes a conflict of interest policy.

3. Best Practices

- Purchase order forms and sample procurement contracts exist for different types of procurement (e.g., local and international purchases, service agreements, etc.) and are used in a consistent manner.



A farmer co-op
meeting in Svay Rieng,
Cambodia.

- A system to record vendors' performance and any other relevant information is in place and up-to-date, allowing management of vendors and mitigation of risk and liability for the organization.
- A purchasing threshold is approved and an authorization chart is in place. This allows the organization to process proper purchase of goods and services and use the appropriate purchasing categories.
- Regular procurement status reports are sent to relevant staff to provide updated information and status of each purchase order processed. Regular coordination meetings are held between managers, procurement and finance.
- A payment process is in place and contains detailed steps to follow as well as a list of supporting documents to attach to each payment request.
- SOPs contains guidance for submission of RFQs and reception of bids from interested vendors, including the correspondence method (e.g., email, fax, sealed envelopes), deadlines, and mechanism (e.g., bid box or designation of a bids receiving officer).
- A procurement tracking system is in place, providing status of the placed order, detailed information and performance of suppliers, historical information of the organization's business with the suppliers, quality of items quoted and/or delivered, and duration of the delivery of goods/ services after receiving an approved purchase order.
- An information system is in place to validate that purchased goods and material can fit within supply chain constraints (warehouse capacity, etc.).
- The suppliers selection procedures allow detailed information about the treatment of quotes received and documentation of a fair and transparent bidding competition.
- A filing system allows maintenance of reviewers' comments that can be used as reference in future business with the same suppliers.
- An information system allows the organization to send bid rejection notices to suppliers whose bids have not been accepted.
- The purchase order includes options to assign cost to specific cost centers (e.g., a particular project or source of funding).

STEP 7.2.3 – CONTRACTS

STEP NAME	CONTRACTS
Step Number	7.2.3
Inputs	<ol style="list-style-type: none"> 1. Agreements policy 2. Approved requisition forms 3. Approved supplier list 4. Boilerplate/sample contracts
Outputs	<ol style="list-style-type: none"> 1. Request for quotations 2. Bid analysis report 3. Approved purchase order/contract
Organizational Roles	<ol style="list-style-type: none"> 1. The requestor 2. Procurement officer 3. Procurement committee 4. Suppliers and service providers 5. Host country government - as the case might be (Some countries require contracts to be registered)
Integration Points	<ol style="list-style-type: none"> 1. Requesting unit: Initiates requisition form 2. Finance unit: Handles account coding and cash flow information 3. Procurement committee including staff from different units: Witness the process from RFQ to order 4. Logistics officer: Enters products into the inventory management system 5. Compliance unit: Reviews procurement agreements 6. Organization's leadership: Issues approvals
Summary	Contracts should be developed for all procurement of products or services.

These guidelines cover the process of creating a commercial arrangement, during which approved products, consultancy, service, or equipment requests are effectively processed by entering into a contract with an individual or business supplier or service provider.

The contract process generally follows the following steps:

- Submission of a request for quotations based on the purchase requisition form and scope of work
- Receipt of bids from prospective suppliers or service providers
- Bids analysis and selection of a supplier or service provider
- Submission of a purchase order² or contract with the selected supplier or service provider

² Note: A purchase order is a contract.

The contract is prepared based on input from the requisition form, the SOW, and the quote received from the selected supplier or service provider, preferably using an approved contract template.

The purchase officer, with the assistance of the finance and requesting units, should develop a contract every time a contractor is recruited. The contract should be based upon local labor laws, work requirements, value of contract, and other special requirements as necessary.

Contractors are not employees of the organization. Their contracts should clearly state that and indicate the limitations of their association with the organization. Please refer to Chapter 8, the Human Resource guide, for differences between employees and contractors.

1. Key Features

- An agreements and contracts register (manual or computerized) is in place to record information on all contracts.
- An approved agreement signing policy is in place and adhered to.
- All contracts are based on a template that has been legally reviewed and approved.

2. Minimum Requirements

- Contract and agreement policies and SOP are in place and provide clear guidance on review and approval thresholds.
- Agreements are supported by a clear scope of work and bill of materials or services, with detailed specifications of the goods or services ordered.
- All contracts should be reviewed for programmatic conflicts with other functional units in the organization.
- Budgetary reviews should take place to make sure obligations are planned for financially.
- A full and proper record must be kept of all contract negotiations and related correspondence.
- Only those staff members identified in the contract signing delegations have authority to negotiate, review, and enter in contracts on behalf of the organization.
- There is a code of conduct including a conflict of interest policy.
- For contracts involving a bid, the bid process must be documented.

3. Best Practices

- All contracts and agreements have a documented legal review to ensure they state what they are intended to without creating unnecessary legal burden or undue risk on the organization.
- All contracts must be entered into the organization's contract register.
- Every contract includes the position title of the organization's staff member accountable for the management of the contract.
- An official contract file must be established for all new contracts. Contract drafts, amended copies, and a full copy of the signed original are to be placed on file and retained in the relevant department.
- Those staff involved in negotiating or establishing contracts must have appropriate knowledge of contract law.

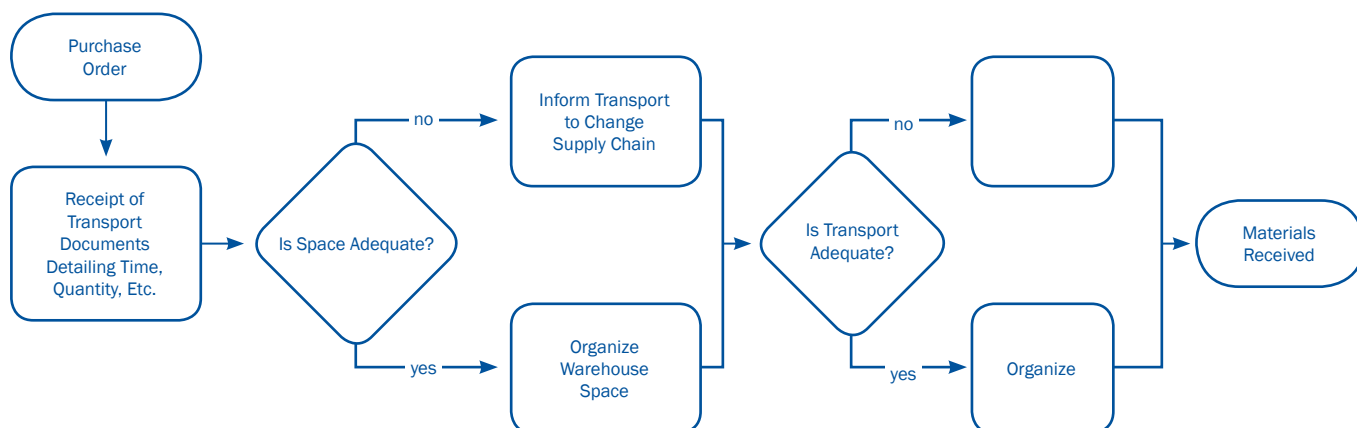
STEP 7.2.4 – MANAGE SHIPPING

STEP NAME	MANAGE SHIPPING (TRANSPORT AND DELIVERY FROM SUPPLIERS)
Step Number	7.2.4
Inputs	<ol style="list-style-type: none"> 1. Receiving warehouse(s) capacity and conditions 2. Quantity, quality, and space requirements 3. Anticipated storage timeframe and usage rate 4. Quotations, purchase order, or donation certificate 5. Delivery dates, terms, and conditions 6. Carrier information and usual transit times
Outputs	<ol style="list-style-type: none"> 1. Transportation orders/contracts 2. Waybills or goods-received notes 3. Goods received in good conditions 4. Delivery survey report 5. Claims for losses and damages
Organizational Roles	<ol style="list-style-type: none"> 1. Procurement officer/logistician 2. Receiving party (warehouse officer or budget/program manager) 3. Carriers and vendors 4. Other service providers such as clearing agents, surveyors, or laborers
Integration Points	<ol style="list-style-type: none"> 1. Carriers: Provide information on expected inbound shipments and delivery time, terms, and conditions 2. Suppliers: Provide shipping details 3. Requesting party: Provides delivery information
Summary	Shipping consists of the movement and delivery of purchased goods and material from the supplier's warehouse to the requesting officer or the organization's warehouse. It may also extend to the onward delivery to the end user.

Purchased products need to be delivered from the supplier to the requesting party. The delivery process involves transportation. In some cases, products will be procured locally, e.g., in the same country and either picked up by the agency or delivered by the supplier. In others, goods will be procured internationally and need to be shipped by air, sea, rail, road, or any combination thereof to the designated delivery point.

Internationally-sourced goods need to clear customs and are subject to international trade and local laws related to the importation of goods. Transport can be arranged either by the supplier/vendor or by the

organization/buyer. Delivery terms and associated title and risk transfer terms must be agreed upon at the time of placing the order (see **Step 7.2.2**). To accomplish this, follow the sub-steps in the chart below.



Goods are shipped from the supplier and delivered to the organization's warehouse or the requesting party as per the issued purchase order or contract. In the case of bulky goods for storage in the organization's warehouse, the logistician must determine there is enough space to store the goods ahead of the purchase and delivery. If there is not enough space, then the logistician or purchase officer should secure additional space. Delivery should be delayed until adequate space can be made available.

If the organization is responsible for picking up the goods from the transporter's warehouse, the logistician or purchase officer must also ensure that adequate transport options are available to facilitate the delivery process. For a detailed explanation of the delivery terms, please refer to the Incoterms 2000³.

All deliveries must be documented using a waybill and receipt must be acknowledged on the waybill or the goods-received note. Any discrepancy in quality or quantity must be recorded.

For bulky or sensitive goods, the delivery process must be witnessed by an independent surveyor and documented in a survey report. The survey report must clearly describe the delivery conditions and record any discrepancies between the quantity and quality ordered and delivered. Responsibility for losses and damages must be clearly assigned for loss reporting and claims processing.

³ Pohjola (n.d.). *Incoterms 2000: Critical points in international transports*. Retrieved December 14, 2010 from <http://logistics.wfp.org/documents/file/incoterms2000.pdf> or PBB Global Logistics (n.d.)

Goods received must be stored in an orderly manner according to their specific storage and handling guidance or best practices. Generally, the supplier or donor will provide specific guidance for handling and storing goods.

1. Key Features

- There are reliable manual and electronic systems for recording and managing inventory information.
- There is a system in place to certify quantity and quality of goods received against the order and/or documentation, and to manage losses and claims in the purchase order and the transport contract.
- Procurement and logistics officers receive advanced delivery readiness and shipping notices from vendors.
- Procurement and logistics officers are able to determine if constraints (warehouse capacity, resources, etc.) dictate that a scheduled inbound shipment cannot be accommodated in time to make appropriate corrective arrangements.
- Procurement and logistics officers are in regular communication with suppliers, carriers, and other parties along the supply chain for delivery tracking.
- Procurement and logistics officers receive the necessary documentation such as waybills and invoices with sufficient lead time to allow for timely customs clearing and delivery of the goods.
- Procurement and logistics officers are informed of and, if possible, consulted on transit time and desired delivery time and flow to allow for adequate delivery and reception planning.
- Procurement and logistics officers are able to maintain a list of available carriers with rates that support a planned route and the transport costs.
- When transport is arranged by the organization, the procurement committee must tender the freight transport contract, as well as survey and customs clearing as the case might be. The procurement for transport, survey and customs clearance services should follow the process described in the Purchase section.

2. Minimum Requirements

- The collection, shipping, and delivery process is documented through the commercial invoice, delivery note or waybill, and the goods-received note or receipt certification form.

- There are adequate infrastructure and equipment to receive and store deliveries. These include appropriate storage space and store management tools/forms.
- The receiving officer is informed of the estimated delivery dates and times, as well as the delivery terms and conditions ahead of the deliveries.
- Procurement and transport contracts should be clear on delivery terms, using specific Incoterms language.

3. Best Practices

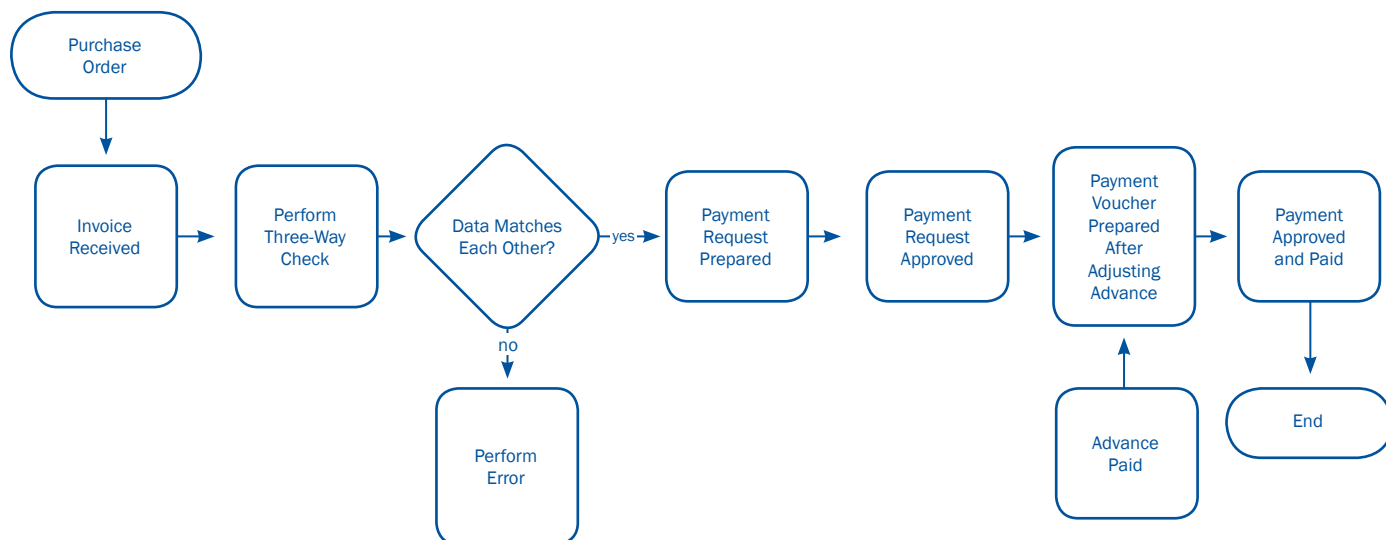
- There is a complete paper and electronic inventory information system, with good filing and retrieval options.
- There is a system for certification of quantity and quality of goods received, for managing losses, claims, and transporters' payment.
- If the goods are specialized and/or in large quantity, such as agricultural commodities, it is necessary to hire a professional independent surveyor.
- If the goods are imported and in large quantity, it is a good idea to recruit a professional freight forwarder and/or customs clearance agent to facilitate importation paperwork.
- Procurement and transport contracts should specify tolerance levels in terms of delivered quantity, quality, and delivery terms.

STEP 7.2.5 – MANAGE PAYMENTS

STEP NAME	MANAGE PAYMENTS
Step Number	7.2.5
Inputs	<ol style="list-style-type: none">1. Purchase requisition2. Purchase order3. Goods-received note4. Invoice5. Survey and other analysis reports
Outputs	<ol style="list-style-type: none">1. Payment request2. Payment documentation (finance)
Organizational Roles	<ol style="list-style-type: none">1. Vendors2. Purchase officer3. Warehouse manager4. Finance officer5. Organization director
Integration Points	<ol style="list-style-type: none">1. Finance unit: Provides payment verification and processing2. Suppliers database/market information system: Conducts supplier and product performance verification
Summary	Vendors' invoices need to be verified against their performance and processed promptly for payment.

Payments to vendors should only be made by the organization when all the requirements of supply of materials, goods, or services have been met by the vendor as per the purchase order/contract. The requirements include material or service specification, delivery timeline, delivery terms, and condition of goods on delivery.

The officers making and approving payments to suppliers must ensure first and foremost that the organization's interests are protected. For deliveries requiring a survey report, payment should only be initiated when the survey report has been finalized. Any losses or damages due to action by the supplier or other contractor should be deducted from payment, unless other claim settlement arrangements have been made. To accomplish this, follow the sub-steps in the chart below.



The supplier sends an invoice after the receipt of goods. The person in charge of receiving invoices does a three-way check to ensure that the goods have been delivered and received as per the purchase order, the price quoted is as per purchase order, and the invoice matches the final receipt count and quality certification. If the three-way check identifies an issue with any of these, then the invoice is returned to the supplier for adjustment.

A payment request is prepared based on the invoice with support of the purchase order, purchase request, bid comparison, goods-received note and any other details as may be required. The payment request is approved by the requesting department supervisor.

The finance unit prepares payment documentation based on the payment request after making necessary adjustments for any advance paid and any penalty or interest that may be applicable. Payment is approved as per the approving authority.

For finance-related guidance on procurement and accounts payable management, please refer to Chapter 6, the Finance guide.

1. Key Features

- The procurement and inventory management system integrates with the financial system to allow verification and authorization of payment to vendors.
- The payment request initiator will perform a three-way match between the purchase order, the goods-received note, and the invoice. The amount invoiced should never be more than what has been stated in the purchase order or the value of what has been received in good order as stated on the goods-received note.



A family dwelling at Touloum, Chad. Catholic Relief Services is responding to the urgent needs of Sudanese refugees in Chad who have fled escalating conflict in western Sudan's Darfur region.

- Invoices, with all supporting documents, should be received from the vendors. The organization should designate the person/department/office receiving the invoices.
- All discrepancies should be noted and communicated back to the vendor. Payment should be made to the vendor after adjusting for any discrepancy. The vendor should only be paid the adjusted amount.
- The payment requester should ensure that penalty clauses applicable based on initial purchase order or contract are implemented if the supplier has failed to meet the required specifications or delivery terms.
- Payments should never be made before all goods have been confirmed in good order and all services have been certified as complete and satisfactory. No payment should be made for defective goods, goods not received, or for services that do not meet the agreed-upon standards.
- Pre-payment of material/advance to suppliers should be allowed in select environments based on the circumstance of the purchase. However, under no circumstance should the organization be put in a position where “greater than acceptable” risk has to be accepted. The general rule is that no advance to vendors/suppliers should have a value that is greater than the amount of goods and/or services already supplied and received by the organization. The organization should never find itself in a credit position vis-à-vis the supplier.
- Any payment request should be supported by documents including, at a minimum, purchase requisition, purchase order, goods-received note, and invoice. In the case of procurement requiring a survey report and/or other quality analyses, the relevant documents should also be attached as supporting documentation.

2. Minimum Requirements

- A person separate from the purchase officer approves the payment request.
- The three-way test is performed and reviewed upon receipt of the supplier's invoice.

3. Best Practices

- The organization's procurement policy and purchase order/contracts should specify both delivery terms and corresponding payment terms to avoid any misunderstanding or litigation.
- No advance payment should be higher than the supply performance level at the time of the advance. Advances to vendors should be the

exception, not the rule. Any advance should only partially cover the portion of the purchase that has already been delivered.

- All payments are approved based on an approved authorization matrix.
- Information about payment and suppliers' performance is provided to the supplier database updater.

STEP 7.2.6 – MANAGE SUPPLIERS

STEP NAME	MANAGE SUPPLIERS
Step Number	7.2.6
Inputs	<ol style="list-style-type: none">1. Supplier information form2. Market survey reports3. Ad-hoc supplier performance review4. Approval in pre-screen process
Outputs	<ol style="list-style-type: none">1. Market (product and supplier) information database2. Supplier performance reports
Organizational Roles	<ol style="list-style-type: none">1. Purchase officer2. Warehouse officer3. Updater4. Organization director
Integration Points	<ol style="list-style-type: none">1. Finance system2. Inventory management system3. Market information sharing between functional units4. Organization leadership for vendor relations
Summary	Organizations need to maintain adequate information on suppliers and good, open, and transparent relationships with key suppliers.

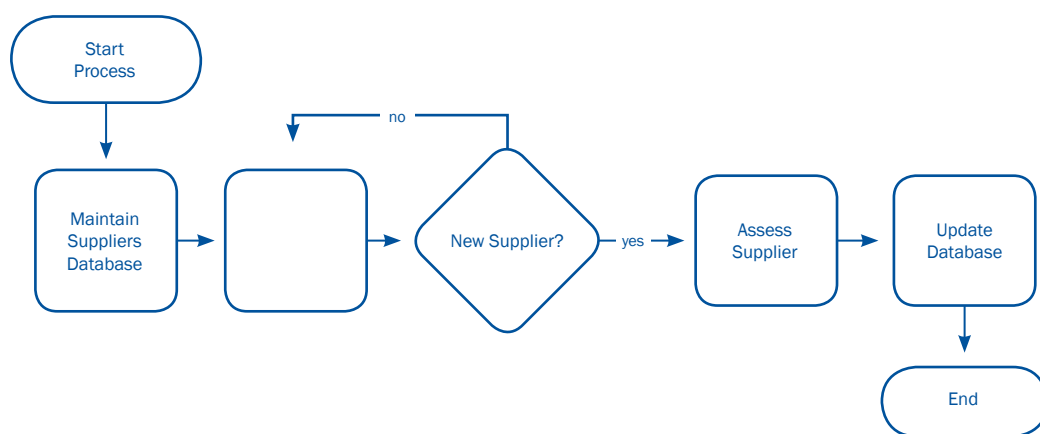
Supplier management is one of the roles of the procurement unit. It consists of supplier, product, and market intelligence, supplier performance management, and supplier relationship management.

Supplier, product, and market intelligence consists of an information-gathering and storage system or database from which the market and products regularly procured and usual suppliers are monitored and rated according to performance.

Supplier performance management includes the monitoring of delivery, user-feedback on product quality, service quality and consistency, and competitive pricing. These and other indicators may vary by market, supplier, product, or service, but over time those variances show clear trends.

The supplier relationship is important when the organization conducts regular business with a supplier. An honest and transparent business relationship with the supplier makes it possible to collect information and negotiate good deals and ensures respect and good service. A relationship with any one supplier should, however, not be a cause of conflict of interest, favoritism, or corruption. At all times, officers interacting with suppliers should follow the behaviors described in the code of conduct.

Certain donors and/or governments have specific guidelines for allowable product sources and/or vendors. The organization should always ensure it is aware of and adheres to the donor/government policies, procedures, guidance, or restrictions related to product source, specifications, and supplier vetting or filtering requirement. To accomplish this, follow the sub-steps in the chart below.



1. Key Features

- A manual register or an electronic database of current and potential suppliers is maintained.
- The register or database contains information such as name and particulars of supplier, possible delivery locations (including whether the supplier can deliver directly to the warehouse), and types of products supplied. It also documents historical transactions with the supplier and allows for categorization of the supplier by type of product, location, size, and performance indicators that show the reliability of the supplier.
- A person (henceforth called the updater) other than the procurement officer is designated to update the database. This task includes creation, modification, and deletion of vendors and vendor information. The procurement officer and the receiving department are required to continuously provide data on the performance of vendors.
- A person senior to the updater periodically reviews the database.
- The database is able to store and extract information regarding supplier performance.
- The procurement officer and other organization officials maintain a relationship with regular suppliers through regular communication via meetings, phone calls, etc.

- The procurement officer conducts regular market surveys for the products and suppliers frequently used and update the database accordingly.

2. Minimum Requirements

- The market information database is maintained in safe custody.
- The updater is separate from the purchase officer.
- A person senior to the updater reviews the database on a regular basis.
- All suppliers are periodically reviewed and updated on the database.
- All suppliers and their respective products are regularly verified for compliance with any donors or government requirements. Non-compliant vendors are banned from participating in the organization's bids.

3. Best Practices

- The updater tracks performance metrics for each supplier and product against pre-defined standards (including quality, cost, time, and service) on a periodic basis. The maximum allowable period is one year.
- The organization continuously looks for new vendors and alternate supply modes.
- A formal coding system is in place for suppliers and products.
- The market information system allows for understanding of the total and detailed cost breakdown of the products including shipping cost, maintenance cost, training cost, serviceability, lot size/inventory cost, obsolescence versus technology costs, government controls, etc.

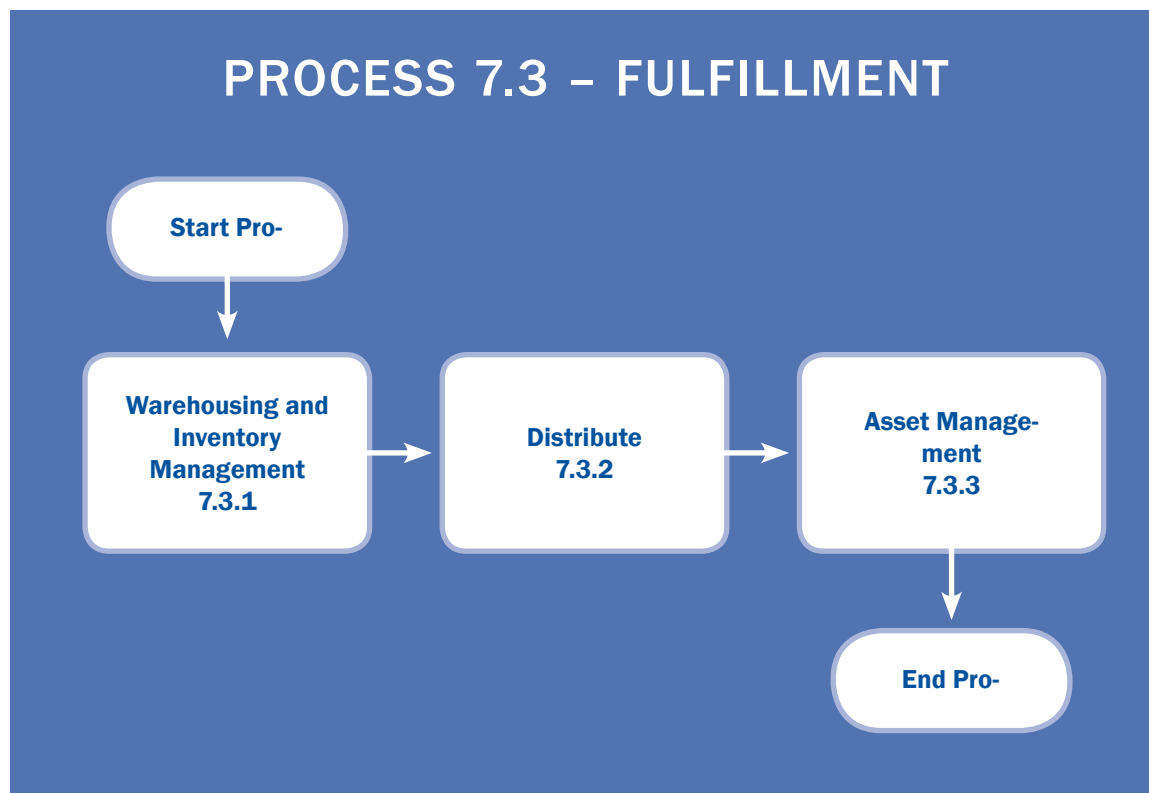
PROCUREMENT BUSINESS

PROCESS 7.3 – FULFILLMENT

PROCESS DESCRIPTION

Fulfillment refers to a number of steps involved in managing the flow and storage of goods, materials, services, and related information from point of origin to point of distribution. Fulfillment includes inbound and outbound movements of products; stores, warehouse, and inventory management; inspections; handling delivery; dispatches, returns, and distribution/use of goods, materials, and or services; and disposition of damaged, expired, or unwanted stock.

PROCESS FLOW



STEP 7.3.1 – WAREHOUSE AND INVENTORY MANAGEMENT

STEP NAME	WAREHOUSE AND INVENTORY MANAGEMENT
Step Number	7.3.1
Inputs/Outputs	<ol style="list-style-type: none"> 1. Purchase order 2. Waybill/packing list/delivery note 3. Survey report 4. Inventory status report 5. Warehouse layout/map
Organizational Roles	<ol style="list-style-type: none"> 1. Procurement officer: Processes procurement until products are received 2. Receiving party (warehouse officer or budget/program manager): Handles inventory receipt and management 3. Vendors: Supply products 4. Service providers including transporters, clearing agents, surveyors, laborers, etc. 5. Auditors: Assess compliance regulations and policies
Integration Points	<ol style="list-style-type: none"> 1. Finance unit: Carries out inventory and asset valuation and depreciation, handles claims processing 2. Program unit: Completes program activities progress and final reports 3. Service providers including transporters, surveyors and health officials, etc.
Summary	Warehouse and inventory management are two closely related functions which when combined ensure safe and adequate management of products purchased, stored, and dispatched for use by end users.

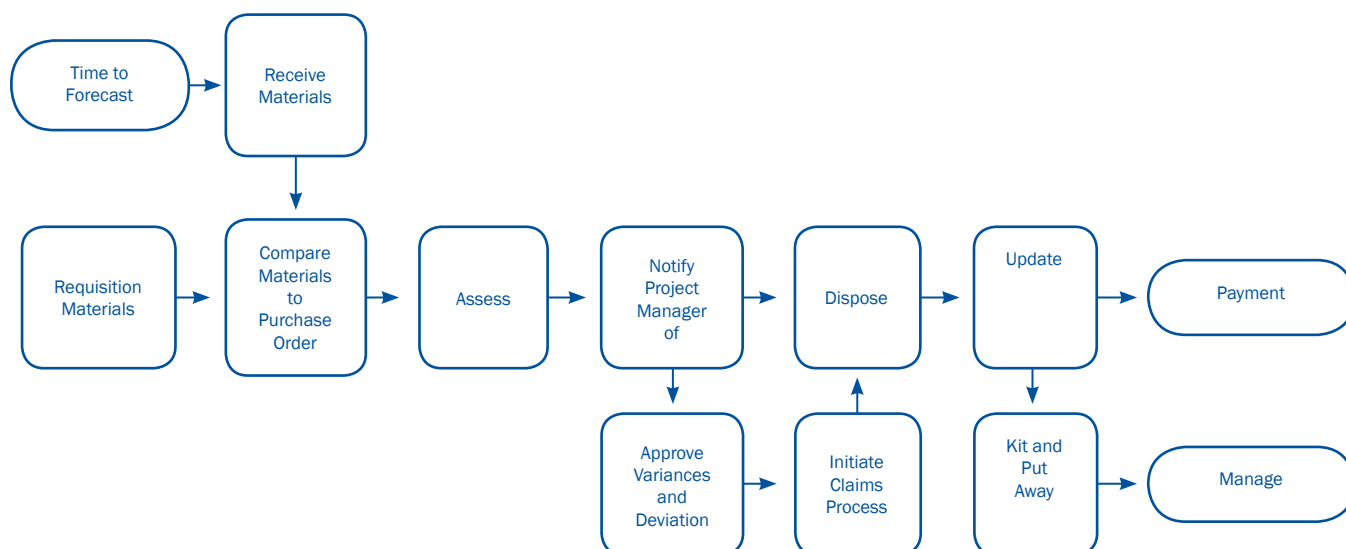
The warehouse management section defines the requirements for the storage and movement of all stored products, including all associated transactions related to products being received into the warehouse or shipped out of the warehouse.

In this section, *warehouse* designates any area where products are stored. Whatever the size and location of the warehouse, the organization must ensure that products can be safely received, adequately stored, and efficiently dispatched for program activities. Quality inspections, space/storage optimization, and inventory tracking systems and practices are regularly analyzed to improve efficiency. Depending on the type and usage of products handled by the organization, the warehouse and inventory management operations may be as simple as managing a small office materials store or as complex as managing large quantities of various sensitive medical products. In any case, the basic principles and business requirements are the same.

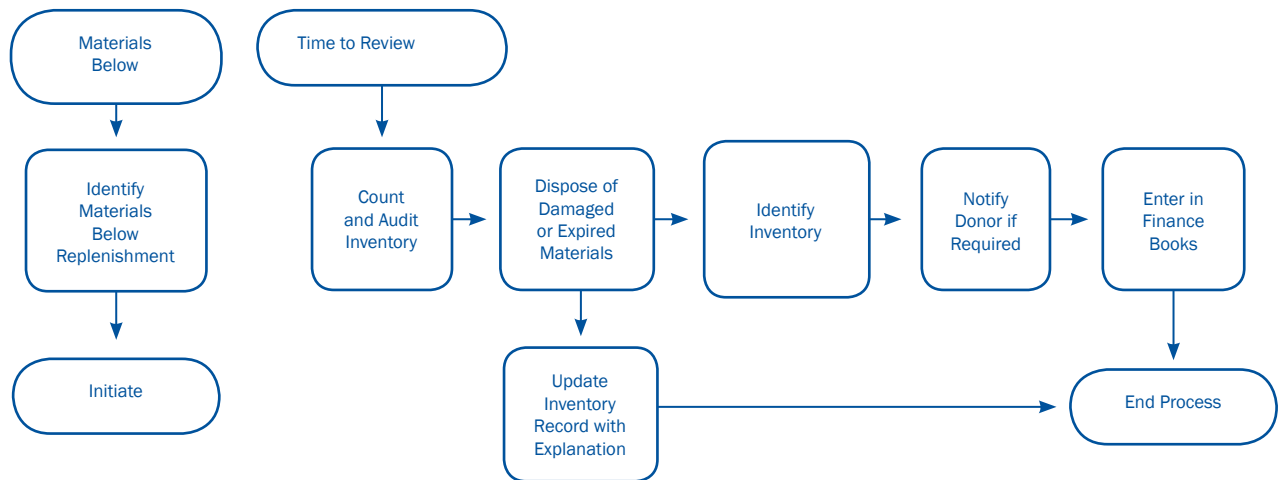
The term *inventory* designates the products held available in stock. Inventory management is comprised of handling functions related to the tracking and management of products. This includes the monitoring of products received into, stored in, and dispatched out of storage locations and reconciling the inventory balances, setting targets, providing replenishment techniques, and reporting actual and projected inventory status.

Warehouse and inventory management is a process that allows the organization to have adequate management of its products and to make decisions and take actions to ensure enough products are available to support program activities in a timely and efficient manner. The process provides necessary and adequate guidelines and instruction for:

Warehouse management: How the organization prepares and acts to ensure that warehouse facilities are ready, in adequate conditions, and with a clear layout, and that all necessary documents and equipment (e.g., store ledger, bin card, pallet) are in place.



Inventory management: Procedures and instructions for product reception, storage, and dispatch are developed and implemented; control and inspection system is in place; product stacking rules and procedures are in place and adhered to; and product movement and storage documents (e.g., waybill, requisition form, dispatching form) are in place and used.



Different inventory management techniques (such as ABC analysis, lot tracking, cycle counting support, etc.) can be used. These tools help efficiently manage the stock and flow of products, effectively utilize people and equipment, coordinate internal activities, and communicate with customers/users.

1. Key Features

There is a simple and consistent filing system for recording receipts, inventory records, daily internal movements, dispatches, losses, and disposals.

There is a general products ledger showing all transactions for all items and lots maintained. The general ledger will allow the organization to obtain accurate and detailed information of products movement and stock at any time.

Regular (periodic) inventory and transaction reports are prepared and submitted to the procurement officer. The report allows the organization and its procurement/logistics unit to take appropriate timely actions to respond to product requests and to place new orders if needed to complete and/or replenish the warehouse based on demand and supplies planning.

Minimum criteria (location, accessibility, storage capacity, structure layout and conditions, security, etc.) are developed to select warehouse(s) that ensure products are stored safely and in good condition.

Warehouse and inventory management procedures allow the organization to adequately store products in an orderly fashion in safe stacks that are easily accessible and separated by type, nature, packaging, lot, intended use, source and destination, required storage condition, etc. The system should allow easy inventory control, inspection, and counting and ensure adequate and proper stock rotation. Management procedures include all necessary equipment

needed for commodity movement in the warehouse as well as equipment to maintain the warehouse facilities. The procedures also provide guidelines and instructions and necessary control documentation on what should be performed during the receptions of products, storage of products, and dispatch/distribution of products.

An approval process is in place to ensure that all products in and out of the warehouse are pre-approved by the organization's authorized officials. The pre-approval can be on the dispatch request form or on the waybills or delivery order. Clear standards for stock movement are in place and contain instructions and guidelines for each type of product stored in the warehouse. The most common systems used are First In, First Out (FIFO); Last in, First Out (LIFO), and First Expired, First Out (FEFO). These systems allow the organization to safeguard products and maintain a priority list of products to be dispatched.

- Reconditioning/repackaging procedures are developed as part of the warehouse and inventory management procedures. The procedures allow the organization to safeguard products and reduce risk of loss by taking appropriate actions such as reconditioning or repackaging and report discrepancies.
- Regular inventory count is conducted to reconcile documented information with physical reality. This procedure allows the organization to be up-to-date on the physical products available and to make decisions to purchase additional products to ensure that program requests can be supported without delays. A sample inventory report form is shown as Appendix A.
- The warehouse has specific spaces for packing, kitting, and shipping. This allows the organization to pack and kit products prior to dispatch.
- There is a specific space for hazardous items and items requiring special care (avoid interaction between/cross-contamination of items).
- All product stocks are recorded in the inventory recording documents (e.g., stock ledger, bin cards, asset register). This recording system (paper or electronic) allows the organization to obtain accurate updated inventory status at any given time. The system allows financial valuation for all products.
- The inventory management system (paper or electronic) provides guidance and procedures on how to maintain adequate information related to product specifications, expiry date, shelf life, etc. This system allows the organization to take timely action to safeguard products and to plan for distribution and disposal. Product specifications are clearly shown. For items with expiry dates, the shelf life is clearly recorded.

- The inventory management system provides for cross-verification of available stock. An independent counter is necessary to documents the adequacy of the stock recorded in the warehouse documents (e.g., ledger, bin cards) as well as to ensure internal control for the use of products.
- Inventory management allows the organization to prepare and submit regular inventory status reports. Frequency of the reports depends on the organization's, donors', or regulatory authorities' requirements and requests from the program unit.
- Stock movements are recorded in an agreed-upon manner defined in the standard operating procedures (SOP).
- The inventory management system allows for recording of inventoried products at their real value for accounting purposes.
- All forms and documents such as waybills, GRN, bin cards, etc., are pre-numbered and used sequentially.

2. Minimum Requirements

- The stock levels (maximum, minimum, and operating stock) are monitored and recorded periodically. Counting ensures that physical and existing products are matched with warehouse records (using a store ledger, bin cards, etc.). Any discrepancy is investigated and adjusted.
- Consistently updated and correct inventory records are properly maintained.
- Protocol for physical count is in place and effective physical count is conducted as per the SOP.
- Losses are recorded properly using surveyor reports, pictures, laboratory analyses, etc. Losses are verified and certified independently by persons other than the storekeeper, such as independent surveyors or auditors. Discrepancies and losses are recorded and approved by the organization authorized officer as defined in the SOP.
- For products such as food, when partially damaged or when there are torn containers, their reconditioning should be pre-authorized by the organization's leadership and independently witnessed (generally by an internal auditor or a budget/program manager). A reconditioning report indicating quantity and quality at the beginning, losses, and quality and quantity recovered should be drawn. All present parties should sign the reconditioning report.
- Disposals for damaged or unfit goods are authorized by the organization's leadership, witnessed by persons other than the storekeeper, and are the subject of a disposal report signed by all present parties.

- The organization's leadership develops and approves an incoming and outgoing inventory plan.
- Detailed product specifications are provided in the classification of items, and each stack is clearly labeled with its specifications (e.g., lot number, production date, use by date, chemical composition, packaging details) on the bin card.
- Relevant SOP are developed and fully implemented.
- The warehouse is well lit and well ventilated. It is inspected regularly for insects, dirt, dust, and other unwanted elements. It should ideally be treated with a surface insecticide. Appropriate storage space is in place and meets all minimum storage conditions to safeguard products and tools such as pallets, scales, sacks, boxes, and ladders.
- The warehouse has adequate fire protection with clearly visible and accessible flame retardant equipment, both in and outside the warehouse. There should be no smoking in or around the warehouse.
- The warehouse has adequate sanitary facilities with access to a toilet and water point.
- All warehouse visitors are screened and registered in a visitors' book. Visitors sign in on entry and out on exit. All non-warehouse staff should be accompanied at all times.
- Signs indicating safety rules and expected behavior are displayed in and outside the warehouse, and visitors are required to read and agree to the rules prior to entry.

3. Best Practices

- There is a complete paper or electronic inventory information system with good filing and retrieval options. It is fully implemented and updated daily.
- There is a system for certification of quantity and quality of goods received and for managing losses and transporters' payment.
- Inventory management policies and a procedures manual are in place and include inventory valuation procedures.
- Standard forms for all processes (e.g., receipt, dispatch, losses, disposal) are developed, approved by the organization's leadership, and used.
- All receipts are confirmed by a goods-received note or receipt waybill. Any discrepancy between what is said to be delivered and what is actually received is properly documented. A sample waybill is shown as Appendix B. A sample goods-received note is shown as Appendix C.

- Warehouse inventory records are sent to Finance and administration for budget and assets reconciliation on a regular basis, at least once yearly.
- Products with the nearest expiry date should always be dispatched first. Products suspected of degradation or damage should be physically separated from the rest of the inventory to minimize the risk of contamination. Questionable products should be quarantined until they are certified safe and healthy or reconditioned or disposed.
- Inventory count is conducted on a monthly basis. The entire inventory is recorded and its value is well documented for accounting and audit purposes.
- Surprise physical counts are conducted and recorded by selected independent persons on a regular basis.
- Receiving and issuing documents are kept and electronic tools are updated accordingly. Any discrepancies or damage in products are documented and reviewed by organization leadership.
- Clear safety measures are in place for items with special conditions such as expiry date; light, moisture, or temperature sensitivity; and for hazardous material.

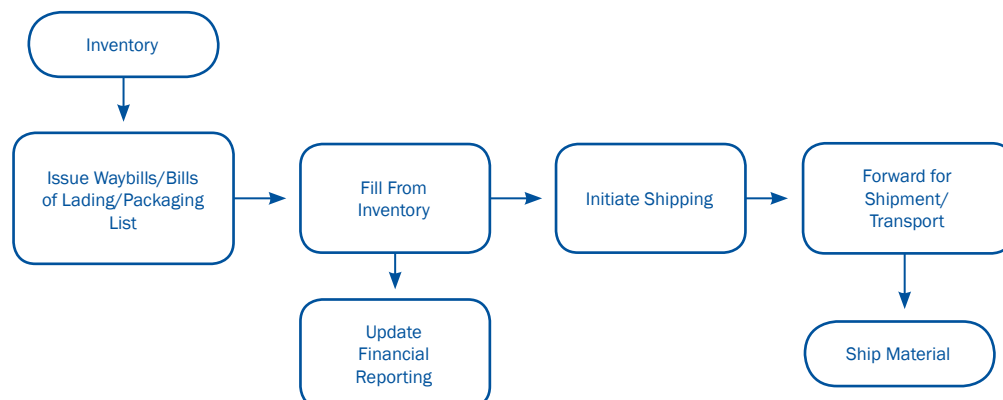
STEP 7.3.2 – DISTRIBUTION

STEP NAME	DISTRIBUTION
Step Number	7.3.2
Inputs	<ol style="list-style-type: none"> 1. Requisition form 2. Waybill (dispatch and return) 3. Carrier list and rates
Outputs	<ol style="list-style-type: none"> 1. Distribution and end user/recipient report 2. Inventory status report 3. Recipient receipt sheet
Organizational Roles	<ol style="list-style-type: none"> 1. Carriers 2. Final distribution point manager: Ensures that products are received and distributed in line with the distribution protocol (number of recipients, ration, etc.) 3. Warehouse manager: Responsible for inventory control 4. Budget/program manager: Designs activities and strategic objectives for which the product resources are used
Integration Points	<ol style="list-style-type: none"> 1. Beneficiary/recipients/end-users database 2. Finance system: Records the inventory value 3. Monitoring and evaluation: Ensures distribution is in line with project objectives
Summary	Distribution is the last step of the supply chain. Products are handed over to their intended end-users or recipients, and they leave the inventory.

The organization should develop a system of distribution of products to end-users, which ensures a fast and simple movement out of the central warehouse to the final distribution point, and onward handover to the intended recipients. The system should ensure that there are enough controls to minimize risk of loss and/or misuse and create an environment of compliance.

The system should ensure that there is minimum lead time between receipt and distribution (i.e., minimal inventory hold time), and that there is minimum damage to goods. The distribution unit must adhere to a well-defined set of rules and requirements. The distribution system should be linked to demand and supply planning to reduce stock-outs or excess stock situations, and reduce carrying costs.⁴ To accomplish this, follow the sub-steps in the chart below.

⁴ Russell, R. S., & Taylor, B. W. (2006). *Operations management: Quality and competitiveness in a global environment* (Fifth edition). New York, NY: John Wiley & Sons.



1. Key Features

- Distribution system and procedures allow the organization to adequately control the distribution of products and plan for effective distribution of products based on number and type of intended beneficiaries and the approved products' ration size and content per beneficiary.
- The system allows for clarity, simplicity, full visibility, and traceability of the movement of products from the warehouse to the end-user by using approved documents (e.g., requisition form, waybill, goods-received note, recipients receipt sheet, distribution report) and allows adequate tracking of products returned back to the warehouse after distribution.
- All transfer and distribution documents are created in multiple copies to ensure that each party (warehouse officer, transporter, receiver, logistics officer, finance officer) keeps a copy for his or her records. See **Step 7.2.4**, "Manage Shipping," for detailed guidance on rules and documentation.
- Acknowledgment of delivery to the final distribution point is required.
- The distribution system takes into consideration the amount of products requested in the pipeline (based on demand and supply planning). The distribution system allows a system of notification from the warehouse through which the program and purchase officers are informed of any expected shortfall or overstock.
- Under certain circumstances there may be situations in which materials may be received and issued directly at the final distribution point without passing through the warehouse. In these circumstances a waybill is issued and entered in the inventory ledger and care is taken to show that the materials did not pass through the warehouse.
- Distribution officers have a recipients' receipt sheet on which recipients acknowledge receipt.

- Distribution officers should complete a distribution report based on the receipt sheet data and the waybill of inventory information. The distribution report should include information on stock received, distributed, and remaining as well as recipient and ration data.

2. Minimum Requirements

- The products request form approver is separate from the waybill approver. The waybill approver is not the same person as the waybills issuer.
- Products are always counted at each transfer point (loading and unloading). The count is confirmed between the warehouse staff, the transporter, and the receiver.
- Waybills need to be approved by organization leadership.
- Receivers should promptly return all non-distributed products to the warehouse. The return should be documented on a return waybill. The return waybill should contain details of quantity and condition of the goods returned and should reference the original waybill. The goods and materials should be returned and entered in the inventory ledger based on details in the original waybill and on the return note.
- The inventory issue request should detail beneficiary number, distribution location, project, and funding source. This is to enable warehouse accounting to relate the information to beneficiary accounting, resource accounting, and project monitoring and evaluation.

3. Best Practices

- The issue of products starts with a duly approved products requisition form. The form contains detailed information that allows the warehouse officer to prepare adequate products (matching quantity, type, serial number, specification, packaging needed etc.).
- Products are never issued without an approved supporting document such as a waybill, requisition form, or order form.
- The organization uses a well-defined inventory rotation method (FIFO is the most frequently used method) and a method for valuing goods and for proper management of stocks.
- The cost of maintaining the warehouse, as well as customs and other taxes, is passed on in the inventory cost. The issue of inventory cost shows this adjusted cost.
- Products are stacked in a way that allows for fast distribution in line with the organization's and donor's distribution procedures and project objectives.

STEP 7.3.3 – FLEET MANAGEMENT

STEP NAME	FLEET MANAGEMENT
Step Number	7.3.3
Inputs	<ol style="list-style-type: none"> 1. Vehicle file including specifications, purchase date, value, etc. 2. Log sheets including mileage, trips, maintenance/repair, fuel replenishment
Outputs	<ol style="list-style-type: none"> 1. Cost/benefit analysis for maintenance decisions 2. Vehicle servicing schedule 3. Fuel efficiency report 4. Depreciation report and replacement/disposal plan
Organizational Role	<ol style="list-style-type: none"> 1. Transportation officer: Coordinates transport requests and analyzes transport expenses and fleet management costs 2. Administration officer: Manages assets and maintenance contracts 3. Finance officer: Records transport information in the financial system and fleet cost analysis 4. Budget/program manager: Handles consolidated trip planning and transport requests
Integration Points	<ol style="list-style-type: none"> 1. Vehicle monitoring and reporting system 2. Finance unit: Plans, records, and analyzes transport cost
Summary	The organization needs to have a clear fleet management policy with robust control systems, and needs to have a system for tracking usage and costs.

Fleet management involves the management and tracking of the organization's owned vehicles. Transport management is a process that allows the organization's purchase of motor vehicles; analysis of all associated costs, including maintenance, repairs, fuel, and spare parts; and all other vehicle-related management aspects.

Motor vehicles are important assets that allow the organization to efficiently conduct business on a day-to-day basis. Despite their importance, vehicles cost a lot of money in purchase and running costs, and are prone to high-risk exposure and misuse.

In order to best protect the organization's staff and assets, transport management provides guidelines for the use of the organization's vehicles in safeguarding the interests of the organization for good stewardship of resources.

Fleet management is usually primarily the function of the administration officer.

Organizations need to have in place a fleet management policy with associated control systems and procedures that are in line with the organization's, donors', and government's laws and regulations. These include but are not limited to naming who is authorized to drive vehicles; conditions of carriage; and safety instructions such as use of seat belts, speed limits, and driving hours limits.

The organization should have for each vehicle a file including all relevant details for the tracking of a vehicle throughout its useful life, and for audit purposes.

The fleet management system should have the following features:

1. Key Features

- The system captures fuel and maintenance expenses by vehicle and by program activities.
- It complements other tools used to record and track other organization expenses.
- The system identifies and plans for expected major transport costs, including maintenance costs, repair costs, and fuel costs.
- It defines a preventative maintenance schedule for motor vehicles to ensure timely service.
- The plan includes a motor vehicles depreciation and replacement/disposal plan.
- The plan is in compliance with local government laws, rules, and regulations in the use of motor vehicles. It outlines a system for timely processing of the payment of any required local fees such as insurance, road fitness, and licenses.

2. Minimum Requirements

- An inventory list of motor vehicles is in place and is updated regularly. The inventory should identify each vehicle and match the vehicle file information.
- Motor vehicle and driver allocation and use procedures are clear and followed. This is to ensure that the allocation of motor vehicles and drivers for any travel request adequately responds to the requests received. In particular the vehicle allocated should meet the road conditions and the number of travelers.
- There is a system for tracking and analyzing transport costs. This will provide information on the actual total expenses for transport versus approved budgets.

- The motor vehicle servicing schedule is followed to ensure timely maintenance and to ensure adequate support for program activities.
- The organization should adopt transport request procedures to ensure adequate internal control of allocation and use of motor vehicles.

3. Best Practices

- A computerized vehicle management system allows recording and analysis of all information related to the motor vehicles, authorized drivers, users, type of use (business or personal), expenses by project and budget code, conditions, maintenance and repairs, and performance and fuel consumption.
- There is a regular (monthly) fuel consumption and maintenance costs analysis report per vehicle, per project, per user, and per budget code.
- The organization obtains contracts with filling and service stations that allow the organization to get fuel discount and credit facilities and avoid carrying cash for fuel, and priority in servicing and repairs.
- There are vehicle incident and accident report procedures that inform the organization leadership on time of any motor vehicle incidents/accidents and assist drivers and users in taking appropriate actions.
- Pre-numbered vehicle logbooks contain information related to the use and movement of the vehicle. The logbook supports all transport costs and is used as a supporting document for the vehicle management system and financial system/budget management.
- Consolidated monthly trip planning is prepared by the transport coordinator, taking into consideration trip requests from each functional unit. The schedule contains at least the following information: travelers' names and functional unit, departure and return dates/times, driver's name, vehicle type and registration number, destination, purpose, and the project and budget codes for the trip.
- A vehicle checklist ensures good and proper handover between drivers. It is also used as supporting document for vehicle repair and maintenance.
- A motor vehicle replacement/disposal plan approved by the organization's leadership is in place and followed.

PROCUREMENT BUSINESS

PROCESS 7.4 – REPORTING

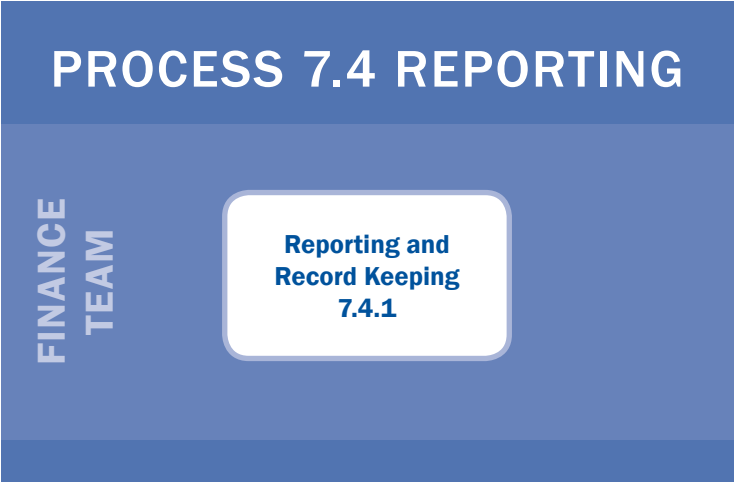
PROCESS DESCRIPTION

All organizations are required to account to their constituencies for resources with which they are entrusted. They are accountable to recipients, donors, board members, partners, governments, and the general public. In particular, development and relief organizations that use donor funding to carry out projects have an obligation to their donors and recipients to achieve project objectives using allocated resources appropriately.

- In most development projects, products that are procured, transported, stored, and distributed to recipients are the largest proportion of the project budget and constitute the most significant loss, fraud, and misuse risk.
- Throughout the supply chain, donors and recipients as well as organizational leadership need to be informed and assured that adequate care is taken by the project managers and supply chain managers to ensure efficient delivery of products to their intended recipients. Regular product inventory and recipients' reports are required to maintain clarity and visibility and to integrate with the monitoring and evaluation reports, the finance reports, and the general program reports. For reporting and record keeping consistency, please refer to the M&E guide (Chapter 10) and the Finance guide (Chapter 6).
- Inventory and recipients' reports must be based on accurate source documents. Primary paper and electronic records must be kept securely for audit purposes and archiving. Organizations must keep a systematic filing system to allow for easy retrieval and verification. The quality of data must be verified on a regular basis.
- Different donors, governments, and organizations have specific reporting and record keeping requirements. The organization must ensure that its reporting and record keeping systems and policies adhere to these requirements. Sample inventory and recipient reporting and record keeping regulations are included in the US code of federal regulations (22 CFR 211.10, "Records and Reporting Requirements"⁵). A sample Commodity Status Report and Recipient Status Report as well as sample Bed-Net Supply and Distribution Report are attached as Appendix D, E, and F.

⁵ USAID, retrieved from http://www.usaid.gov/our_work/humanitarian_assistance/ffp/reg11p.htm#211.10

PROCESS FLOW



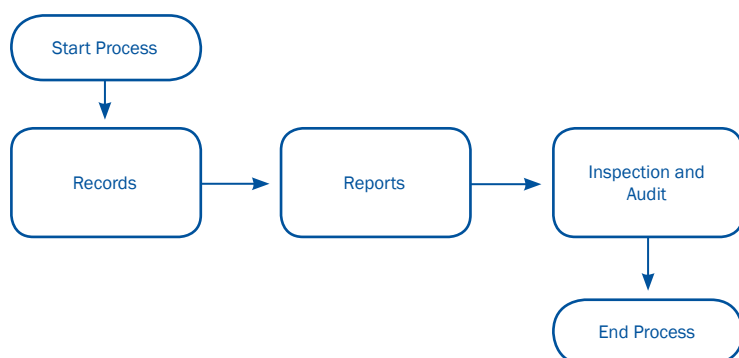
STEP 7.4.1 – REPORTING AND RECORD KEEPING

STEP NAME	REPORTING AND RECORD KEEPING
Step Number	7.4.1
Inputs	<ol style="list-style-type: none"> 1. Purchase file 2. Purchase request documents 3. Fleet management logs 4. Supply chain planning file
Outputs	<ol style="list-style-type: none"> 1. Monthly purchase reports 2. Purchase filing system
Organizational Role	<ol style="list-style-type: none"> 1. Transportation officer – maintains fleet reports 2. Administration officer – maintains asset and maintenance reports 3. Finance officer – maintains all original purchase documents 4. Budget/program manager – maintains all requests and expense updates 5. Purchase officer – maintains all purchase files
Integration Points	<ol style="list-style-type: none"> 1. Budget reports 2. Finance: Plan, record 3. Purchase log
Summary	Organizations need to have clear reporting hierarchy and a record management policy with proper control systems, in order to have a system for tracking usage and costs.



LAURA SHEAHEN/CRS

Children in the village of Tagha-e-Timor, Afghanistan, which has been plagued by drought and hunger. In remote villages in Afghanistan, CRS pays men to fix canals that bring melted snow from the mountains to fields in the early spring.



The following is a sample of US regulations governing record keeping, as described in a document commonly known as “22 CFR 211⁶.”

(a) Records

Cooperating sponsors and recipient agencies shall maintain records and documents in a manner which accurately reflects the operation of the program and all transactions pertaining to the receipt, storage, distribution, sale, inspection, and use of commodities and to receipt and disbursement of any monetized proceeds and program income. Such records shall be retained for a period of three years from the close of the U.S. fiscal year to which they pertain or longer upon request by A.I.D., such as in the case of litigation of a claim or an audit concerning such records. The cooperating sponsor shall transfer to A.I.D. any records, or copies thereof, requested by A.I.D.

(b) Reports

Cooperating sponsors shall submit two copies of audits performed in accordance to Sec. 211.5 (c). In addition, cooperating sponsors shall submit to USAID or the Diplomatic Post, and to AID/W such reports as A.I.D. may reasonably request. The following is a list of the principal types of reports that are to be submitted at least annually:

- (1) Periodic summary reports showing receipt, distribution, and inventory of commodities and proposed schedules of shipments or calls forward.
- (2) Reports relating to the generation of monetized proceeds and program income and the use of such funds for purposes specified in the operational plan or TA. See Sec. 211.5 (l).
- (3) Reports relating to progress and problems in the implementation of the program.
- (4) Reports shall be submitted in sufficient detail to enable USAID or the Diplomatic Post to assess and to make recommendations as to the ability of the cooperating sponsors to effectively plan, manage, control and evaluate the Food for Peace programs under their administration.
- (5) At the time that an emergency program under Public Law 480, title II⁷ is initiated, whether by a governmental or nongovernmental cooperating sponsor, USAID or the Diplomatic Post should

6 US Code of Federal Regulations. (2010). Title 22, *Foreign Relations*. Chapter II “Agency for International Development.” Section 211.10 “Records and Reporting Requirements Washington, DC: U.S. Government Printing Office.

7 Title II Food Aid of the Agricultural Trade Development and Assistance Act of 1954 (Public Law 480). Retrieved from <http://www.usaid.gov/policy/budget/cbj2009/101430.pdf>

- (i) Make a determination regarding the ability of the cooperating sponsor to perform the record-keeping required by this Sec. 211.10, and
- (ii) In those instances in which those specific record-keeping requirements cannot be followed due to emergency circumstances, specify exactly which essential information will be recorded in order to account fully for title II commodities and monetized proceeds.

(c) Inspection and Audit

Cooperating sponsors and recipient agencies shall cooperate with and assist U.S. Government representatives to enable them at any reasonable time to:

- (1) Examine activities and records of the cooperating sponsor, recipient agencies, processors, or others, pertaining to the receipt, storage, distribution, processing, repackaging, sale and use of commodities by recipients;
- (2) Inspect commodities in storage or the facilities used in the handling or storage of commodities;
- (3) Examine and audit books and records, including financial books and records and reports pertaining to storage, transportation, processing, repackaging, distribution, sale and use of commodities and pertaining to the deposit and use of any monetized proceeds and program income;
- (4) Review the overall effectiveness of the program as it relates to the objectives set forth in the Operational Plan or TA; and
- (5) Examine or audit the procedure and methods used in carrying out the requirements of this Regulation. Inspections and audits of title II emergency programs will take into account the circumstances under which such programs are carried out.

COMPLIANCE CHECKLISTS FOR PROCUREMENT

Procurement is the acquisition of appropriate goods and/or services at the best possible total cost of ownership to meet the needs of the purchaser in terms of quality and quantity, time, and location.

Procurement is one of the processes most vulnerable to abuse. Mismanagement of procurement can take many forms and can occur at all stages of the procurement cycle from the initial decision to receiving and paying of goods or services. To minimize mismanagement it is important to use procurement compliance checklists.

Objectives of procurement compliance checklists

Procurement compliance checklists are used to effectively monitor procurement processes and identify fraud and corruption risks at all stages of the procurement cycle. They are used to check on compliance with existing standards and requirements with the goal of ensuring adherence to an agency's procurement policies and guidelines. Checklists enhance procurement guidelines and policies by providing detailed and clear expectations at all stages of the procurement process. They can serve as a comprehensive tool for reviewing procurement processes and assessing compliance with existing guidelines.

There are often many risks associated with procurements; the compliance officer should take note of the following inherent risks and seek to determine the existence of these risks in the organization.

Risks Associated with Procurement

- Unauthorized purchases
- Buying goods when they are not needed/justified
- Overspending budget
- Failure to achieve value for money; waste of resources; duplication of resources
- The supplier going bankrupt/failing to deliver
- Consignment (e.g., number of parcels) registered as received is not what was actually received
- Goods wrongly certified as received; not getting the volume/type of goods ordered; paying for goods not received; misappropriation of goods
- Payment against services not performed or performed inadequately (particularly vulnerable where sub-contractors are used)

- Payment made before goods received; payment made in excess of delivery value; inaccurate payment made
- Payment to an incorrect supplier, supplier account or branch
- Payment for more than has been received
- Possibility of duplicate and overpayments that were not agreed upon as part of the original purchase order
- Not getting the work done because the contract terms were not clear and properly controlled; paying excessive amounts
- Payment for incomplete work
- Work is not up to standards; payment for inadequate work
- Re-letting of contracts to unsatisfactory supplier

(Adapted from The Crown Prosecution Service. (2010). *Procurement guide for managers*. Retrieved from <http://www.cps.gov.uk>)

1. Procurement Checklists

The following checklists will be used to assess the adequacy of the procurement setup and compliance with written policies and procedures and local laws, donor rules, and regulations. The checklist questions are intended to mitigate the risks listed above.

- Is there a code of conduct for procurement staff?
- Do involved staff members read and sign the procurement code of conduct?
- How are credit facilities reviewed?
- What is the policy on quotations?
- Do these meet donor regulations and organization and award requirements?
- What happens if required quotes cannot be obtained?
- Are there independent checks on supplier quotes?
- Are quotes worded so that they include any liability for import duty, taxes, and limitations on price increases?
- Is an annual purchasing schedule produced as part of the budget process?
- Are the local purchasing rules clearly defined?
- How are quotes reviewed before they are accepted?
- Are the procedures in accordance with the procurement policy and donor regulation?
- Are supplier/vendor lists maintained so that quotes are obtained from previously approved suppliers?

- Is there a list of frequently purchased items and prices?
- Is the list of frequently purchased items regularly updated?
- Are stock levels and stock movements reviewed as part of the purchasing procedure to ensure that excess stock is not purchased?
- Who is authorized to approve purchase orders?
- Are goods-received notes issued?
- On delivery, are goods checked to purchase orders and goods-received notes?
- Are supplier invoices, purchase orders, quotes, and goods-received notes batched together for those approving the invoice to review?
- Do staff members show alertness for transactions that appear unusual in the circumstances and may indicate the existence of related parties?
Examples are as follows:
 - Transactions with abnormal trade terms
 - Transactions lacking business logic
 - Transactions in which substance differs from form
 - Transactions processed in an unusual manner
 - Unrecorded transactions

2. Property Management Checklists

Organizations should establish standards for the procurement of supplies and other expendable property, equipment, real property, and other services with donor or private funds. These standards are in place to ensure that such materials and services are obtained in an effective manner and in compliance with the provisions of applicable policies and procedures, donor requirements, and local law.

The following checklist should be used in supplies and property management to assess adequacy of controls.

Stock count (physical to stock cards):

- Perform a test count and trace to the relevant stock cards to ensure the items have been correctly included.
- Select a number of stock items from the stock cards and perform a test count.
- Select high value items.
- Review the location of the stock counted above:
 - Is the stock stored in a secured place?

- Does the method of storage mean that regular and accurate counts can be made?
- If applicable, are the gauges and weighing machines accurate?
- When was the accuracy of the measuring devices last checked?
- Is the stock kept in well-labeled locations?
- Is the stock kept in clean and dry conditions under temperature control?
- Ensure that fuel stock is kept in such a manner that does not represent a fire risk.

Note: *Each stock line should be clearly labeled at its location and should be identified by a card indicating which stock line the goods represent. This will reduce errors, limit the reliance upon the skill of identification by the storekeeper, and help to keep stock types separate.*

Review of stock cards:

- Review a number of stock cards, selected from each category of stocks (e.g., drugs).
- Note the dates when these were last reviewed by a supervising officer (e.g., accounting, commodities specialist, or finance manager)
- Ensure that each stock line and each stock card have unique identifying numbers.
- Trace a selection of balances brought forward on the stock cards to the previous cards.

Stores handover reports:

- Review the stores handover reports relating to the previous months. Ensure these have been signed and dated by the individuals between whom the responsibility for the stores has been passed.
 - When control of the stores is passed from one person to another there should be some form of handover report to formalize the passing of responsibility.
- Conduct half yearly/yearly stock counts.
- Trace a number of items from the last yearly stock count summary to the relevant entry on the stock card.
- Ensure the stock card was signed for these checks.
- Review the previous count.



KARL GROBL FOR CRS

At a health center in Kdol Taken, Cambodia, health staff provide medicine to the patients and teach them how to use the medicine.

- Was it adequately documented?
- Was appropriate follow up action taken for any discrepancies?
- Ensure that any subsequent stock adjustments were appropriately authorized.
- Select items from the current year's stock count summary and perform the following:
 - Trace the total amount and/or quantity (if applicable) of the inventory to the notes on the accounts.
 - Trace items to the relevant date on the stock card to confirm the accuracy of the quantity.
 - Review the pricing of the selected items.

For stock movement issues, select a number of stock issues from the stock cards and test as follows:

- Trace to the relevant stores issues voucher.
- Ensure the stores issue voucher number is noted on the stock card.
- Ensure the issuer and the recipient sign the voucher.
- Ascertain that the dates and quantities are in agreement with the stock card.
- Trace to the relevant stores requisition voucher.
- Ensure that the requisition is appropriately authorized.
- Select a number of stock requisitions from the requisition vouchers and test as follows:
 - Ensure that the requisition is properly authorized.
 - Trace to the related stock issue voucher, ensuring that details, quantities, and dates correspond.
 - Ensure that the issuer and the recipient sign the voucher.
 - Trace to the stock card entry and ensure that the card was updated on the day of the issue.
 - Review and identify old stores requisitions, if any, which have not been matched to stores, and issue vouchers.
 - Select a number of the unmatched requisitions and investigate why they are still outstanding.
 - Determine the method for dealing with requisitions, which are not completely matched by issues.
 - Test a selection of these items to see how the unmatched requisitions are fulfilled.

Stock movements – receipts:

- Select a number of goods received notes and trace to the relevant stock card.
- Confirm the dates with the advice note and purchase invoice from the supplier.
- Ensure the goods-received note has been signed by the storekeeper to confirm the goods were received in good order.
- Check that the goods-received note agrees to the information on the purchase order.
- Select a number of receipts from the stock cards and trace to the goods-received notes.
- Confirm the dates with the advice note and purchase invoice from the supplier.

Notes: *Every stock movement should show a reference number of the goods issued or goods-received note in the stock card. No issue should be made from stores without an authorized stores requisition note or purchase requisition. The store manager should compare the items in the purchase requisition against the waybill raised for quantity and specifications. This should be signed as “received” by the person who made the request or the authorized representative receiving the goods.*

On receipt of goods from a supplier, a delivery note should be obtained from the supplier and compared to the actual goods received and to the purchase order form. A goods-received note should be completed and signed by the person receiving the goods and attached to the supplier delivery note. A copy of the goods-received note should be sent to the accounts department to be attached to the subsequent invoice for payment.

Stock obsolescence:

- Review the goods in the stores and make a note of items that appear to be contaminated, damaged, slow moving, or in any way obsolete.
- Ensure that these items are written off.
- If they are not written off, obtain reasons.
- Note explanations as to why these items have not been removed from the stores.
- Select a number of stock cards and review as follows:
 - Obtain explanations for items that have not moved for six months or more.

- Ensure that any stock write-offs or other adjustments have been properly authorized.
- Reasons should also be given why stock became damaged or obsolete as this may help to tighten control procedures.

Accounting procedures:

- At the end of the year, all stocks should be counted, compared to the stock card quantities, and summarized.
- Any discrepancies should immediately be investigated and disposed.
- All donated commodities remaining in the warehouse should be counted, valued, and included in the note to the accounts.
- There should be monthly stock reports to indicate stock levels.

For fixed assets, determine the following:

- The organization maintains proper records for equipment and adequately safeguards and maintains equipment.
- Disposition or encumbrance of any equipment or real property is in accordance with donor requirements.
- Obtain entity's policies and procedures for equipment management and ascertain if they comply with the entity's policies and procedures.
- Select a sample of equipment transactions and test for compliance with policies and procedures for management and disposition of equipment.
- Inquire if a required physical inventory of equipment has been acquired under donor regulations.
- Test whether any differences between the physical inventory and equipment records were resolved.

Fixed asset verification:

- Review the fixed asset register or supporting documentation for evidence that management has performed a physical verification of the assets held.
- Note the frequency of such checks. These checks should be performed in accordance with the policies and procedures manual monthly, quarterly, semi-annually, or annually.
- Verify that asset management complies with donor regulations.
- Confirm management has taken action to investigate any variances or errors.
- Review the repairs and maintenance nominal ledger accounts for items over the predetermined monetary threshold included in the fixed assets register.

Depreciation (if applicable):

- Test the calculation of depreciation on a selection of assets according to the depreciation policy.
- If depreciation is applicable, depreciation should be charged using the method outlined in the organization's finance manual.
- Ensure that an appropriate official reviews the depreciation calculations and the journals to the ledger.
- Verify that the accumulated depreciation charge in the fixed asset register is in agreement with the ledger.
- Ensure that all obsolete assets have been written off.

Disposal of assets:

- Review the ledger and fixed asset register for any disposals during the year.
- On disposal of fixed assets the sale proceeds should be accounted for as per donor regulations.
- Verify that the disposal was properly authorized.
- Verify that donor permission to dispose was received.
- Verify that donor conditions have been met.
- The policies and procedures manual should include authorization procedures for disposal.
- Confirm that the method of sale ensure the best price was obtained.

Disposals should be carried out by the following tendering process (depending upon the value of the asset):

- Independent valuation
- Public notice of tender
- Date for tender
- Mail opened by tender committee constituted as per regulations
- Tender committee members not to bid for the goods
- Documentation retained
- Accounting treatment should follow the procedures laid out in the policies and procedures manual and conforms to donor rules
- Trace from the sales invoice to the receipt of cash on bank statement. Investigate any reasons for delays in this process.
- Ensure that the appropriate authorities have been informed of the disposal (e.g., motor insurance companies, vehicle registration authorities, donors).

- Review the fixed asset register for items that have outlived their useful life to the program and assets that no longer physically exist and should be written off (for example, motorcycles scrapped for spares, obsolete computer hardware, items lost to theft or robbery, etc.)
- Inquire about the accounting treatment of motorcycles and any other motor vehicles which have been scrapped or dismantled for spares.

1. Fleet Management Checklists

Vehicles are important assets in the organization. It is critical to safeguard vehicles from misuse and loss.

Review objectives

To establish that the vehicles are maintained and used properly and vehicle fleet is adequate for the organization's operations.

The following checklist is useful in the review of vehicles management.

Vehicle usage checklist and questions:

- Is there a policy on vehicle use?
- Is a vehicle logbook issued for each vehicle?
- Is it possible to use a donor-funded vehicle on another project?
- Is it possible to charge different donors/projects/departments based on logbook details?
- Are donors/projects/departments charged accordingly?
- Do all staff members who drive vehicles hold legal driving permits as required by local laws?
- Is the validity of driving permits checked annually?
- Select a number of mileage log books for testing.
- Verify that the last month's mileage (private and official) is in agreement with the vehicle report.
- Verify that the last recorded mileage is in agreement with the vehicle odometer reading.
- Trace private mileage, if any, to the relevant payroll deduction, staff contribution, or staff debtors' account. Ensure that it was calculated correctly.
- Ensure the logbooks are properly completed, showing the users and drivers of the vehicles, mileage and fuel consumption, and the destination and purpose of each trip.
- Check the calculations and additions of the mileage recorded in the logbooks.

- Review the logbooks for evidence that the appropriate supervisor has reviewed them on a monthly basis and that recorded mileages are compared to the mileage meter or gauge.
- Logbooks should be reviewed monthly by an independent member of staff (e.g., a financial or internal auditor). Private mileage, if applicable, should be extracted for recharging through the payroll or staff debtors. Periodic reviews should also compare mileage with fuel consumption over time.
- For the logbooks selected, ensure all the vehicles have road licenses, insurance, are registered, and are serviced regularly.
- Select a number of records of private mileage use from the logbooks and ensure that it has been properly authorized.
- Private mileage should be authorized in advance, either when a vehicle is assigned to someone or when an unassigned vehicle is used for a personal use.
- Review the private mileage agreement, if applicable, and ensure this policy is reasonable and is followed by the program.
- Ensure that the drivers selected above are properly licensed, as use of unlicensed drivers would invalidate an insurance claim.
- Review the private mileage rate, if applicable.
- Compare the private mileage rate to fuel and other transport costs.
- When was the mileage rate last updated and is it reasonable?
- Obtain a sample of vehicle fuel bills and verify that a selection of entries are in agreement with the relevant log books.
- How many vehicles does the organization have?
- How are they allocated to staff and projects?
- Is there a policy on private and official use?
- Do staff members undergo driving tests before they are allowed to drive the organization's vehicles?
- Where are the vehicles parked overnight? Is this location secure and covered by insurance?
- Are licenses examined before staff members are allowed to drive?
- Do the drivers use seat belts, helmets, and protective clothing as appropriate?
- Does each vehicle have a separate logbook?
- Verify that each logbook shows the following:

- Beginning and ending mileage each day
- All private mileage
- Gallons of fuel purchased
- Issues of oil
- Vehicle defects
- Who checks the log books and how often?
- Are logbooks closed off at the end of each month?
- Does the transport report include use and fuel consumption of generators?
- Does management receive the transport report?
- Are vehicles, including motorbikes, regularly verified? Does this check include a check on the engine?

Vehicle maintenance questionnaire (for organizations that have their own mechanics):

- What reviews have been performed to establish the cost effectiveness of any in-house maintenance, if applicable?
- What are the mechanic's qualifications?
- Are records kept to show when services are due? Are service stickers used?
- Who reviews the vehicle maintenance records?
- Is the purchasing of spares kept as a separate function from that of the mechanic?
- Are used parts returned to the organization if they are replaced?
- What are the replacement plans for motor vehicles?

GLOSSARY

ABC Classification

Classification of a group of items in decreasing order of annual dollar volume or other criteria. This array is then split into three classes called A, B, and C. The A group represents 10 to 20 percent by number of items, and 50 to 70 percent by projected dollar volume. The next grouping, B, represents about 20 percent of the items and about 20 percent of the dollar volume. The C-class contains 60 to 70 percent of the items, and represents about 10 to 30 percent of the dollar volume.

ABC Inventory Control

An inventory control approach based on the ABC volume or sales revenue classification of products (A items are of the highest volume or revenue, C are the lowest volume or revenue SKUs).

ABC Model

In cost management, a representation of resource costs during a time period that are consumed through activities and traced to products, services, and customers or to any other object that creates a demand for the activity to be performed.

ABC System

In cost management, a system that maintains financial and operating data on an organization's resources, activities, drivers, objects, and measures. ABC models are created and maintained within this system.

Acquisition Cost

In cost accounting, the cost required to obtain one or more units of an item. It is calculated as order quantity times unit cost.

Action Message

An output of a system that identifies the need for and the type of action to be taken to correct a current or potential problem. Examples of action messages in an MRP system include release order, reschedule in, reschedule out, and cancel. *Synonyms: action report, exception message.*

Action Plan

A specific method or process to achieve the results called for by one or more objectives. An action plan may be a simpler version of a project plan.

Activity

Work performed by people, equipment, technologies, or facilities. Activities are usually described in an "verb-adjective-noun" construction. Activities may occur in



An anti-trafficking project at Tra On in Vinh Long Province in the Mekong Delta region of Vietnam. Many young people have been trafficked for marriage or work in neighboring countries, and this project addresses the problem.

a linked sequence and there may be activity-to-activity assignments. 1) In activity-based cost accounting, a task or activity performed by or at a resource, required in producing the organization's output of goods and services. A resource may be a person, machine, or facility. Activities are grouped into pools by type of activity and allocated to products. 2) In project management, an element of work on a project. It usually has an anticipated duration, anticipated cost, and expected resource requirements. Sometimes the term *major activity* is used for larger bodies of work.

Activity Analysis

The process of identifying and cataloging activities for detailed understanding and documentation of their characteristics. An activity analysis is accomplished through interviews, group sessions, questionnaires, observations, and reviews of physical records of work.

Bottleneck

A constraint, obstacle, or planned control that limits throughput or the utilization of resources.

Bulk Area

A storage area for large items that are most efficiently handled by the pallet-load.

Bulk Storage

The process of housing or storing materials and packages in larger quantities, generally using the original packaging or shipping containers or boxes.

Bulk Packing

The process or act of placing numbers of small cartons or boxes into a larger single box to aid in the movement of product and to prevent damage to or pilferage of the smaller cartons or boxes.

Business Plan

1) A statement of long-range strategy, revenue, cost, and profit objectives, usually accompanied by budgets, a projected balance sheet, and a cash flow (source and application of funds) statement. A business plan is usually stated in terms of dollars and grouped by product family. The business plan is then translated into synchronized tactical functional plans through the production planning process (or the sales and operations planning process). Although frequently stated in different terms (dollars versus units), these tactical plans should agree with each other and with the business plan. See *also: Long-Term Planning, Strategic Plan*. 2) A document consisting of the business details (organization, strategy, and financing tactics) prepared by an entrepreneur to plan for a new business.

Commercial Invoice

A document created by the seller. It is an official document that is used to indicate, among other things, the names and addresses of the buyer and seller; the product(s) being shipped; and the products' value for customs, insurance, or other purposes.

Commodity

An item that is traded in commerce. The term usually implies an undifferentiated product competing primarily on price and availability.

Commodity Procurement Strategy

The purchasing plan for a family of items. This would include the plan to manage the supplier base and solve problems.

Competitive Bid

A price/service offering by a supplier that must compete with offerings from other suppliers.

Contract

An agreement between two or more competent persons or companies to perform or not to perform specific acts or services or to deliver merchandise.

A contract may be oral or written. A purchase order, when accepted by a supplier, becomes a contract. Acceptance may be in writing or by performance, unless the purchase order requires acceptance in writing.

Contract Administration

The process of managing all aspects of a contract to guarantee that the contractor fulfills his obligations.

Distribution

Outbound logistics from the end of the production line to the end user. 1) The activities associated with the movement of material, usually finished goods or service parts, from the manufacturer to the customer. These activities encompass the functions of transportation, warehousing, inventory control, material handling, order administration, site and location analysis, industrial packaging, data processing, and the communications network necessary for effective management. It includes all activities related to physical distribution as well as the return of goods to the manufacturer. In many cases, this movement is made through one or more levels of field warehouses. *Synonym: Physical Distribution.* 2) The systematic division of a whole into discrete parts having distinctive characteristics.

Ethical Standards

A set of guidelines for proper conduct by business professionals.

FEFO

First expiry, first out. The first expiry, first out method attempts to ensure that perishable products are sold while they are still in good condition.

Forecast

An estimate of future demand. A forecast can be constructed using quantitative or qualitative methods or a combination of the two. It can be based on extrinsic (external) or intrinsic (internal) factors. Various forecasting techniques attempt to predict one or more of the four components of demand: cyclical, random, seasonal, and trend.

Forecast Accuracy

Measures how accurate your forecast is as a percent of actual units or dollars shipped, calculated as 1 minus the absolute value of the difference between forecasted demand and actual demand, expressed as a percentage of actual demand.

Forecast Cycle

Cycle time between forecast regenerations that reflect true changes in marketplace demand for shippable end products.

Forecasting

Predictions of how much of a product will be purchased by customers. Relies upon both quantitative and qualitative methods. *See also: Forecast*

Integrated Logistics

A comprehensive, system-wide view of the entire supply chain as a single process, from raw materials supply through finished goods distribution. All functions that make up the supply chain are managed as a single entity, rather than managing individual functions separately.

Inventory

Raw materials, work in process, finished goods, and supplies required for creation of a company's goods and services. Also the number of units and/or value of the stock of goods held by a company.

Inventory Accuracy

When the on-hand quantity is equivalent to the perpetual balance (plus or minus the designated count tolerances). Often referred to as a percentage showing the variance between book inventory and actual count. This is a major performance metric for any organization which manages large inventories. Typical minimum and best practice averages would be 95 percent and 99 percent.

Inventory Management

The process of ensuring the availability of products through inventory administration.

Inventory Planning Systems

The systems that help in strategically balancing the inventory policy and customer service levels throughout the supply chain. These systems calculate time-phased order quantities and safety stock using selected inventory strategies. Some inventory planning systems conduct what-if analyses that compare the current inventory policy with simulated inventory scenarios with the goal of improving the inventory ROI.

Key Performance Indicator (KPI)

KPIs are commonly used by an organization to evaluate its success or the success of a particular activity in which it is engaged

Last In, First Out (LIFO)

Accounting method of valuing inventory that assumes latest goods purchased are first goods used during accounting period.

Lead Time

The total time that elapses between an order's placement and its receipt. It includes the time required for order transmittal, order processing, order preparation, and transit.

Logistics

The process of planning, implementing, and controlling procedures for the efficient and effective transportation and storage of goods, including services, and related information from the point of origin to the point of consumption for the purpose of conforming to customer requirements. This definition includes inbound, outbound, internal, and external movements.

Maximum Inventory

The planned maximum allowable inventory for an item based on its planned lot size and target safety stock.

Maximum Order Quantity

An order quantity modifier, applied after the lot size has been calculated, that limits the order quantity to a pre-established maximum.

Order

A type of request for goods or services such as a purchase order, sales order, work order, etc.

Order Cycle

The time and processes involved from the placement of an order to the receipt of the shipment.

Order Entry and Scheduling

The process of receiving orders from the customer and entering them into a company's order processing system. Orders can be received through phone, fax, or electronic media. Activities may include "technically" examining orders to ensure an orderable configuration and accurate price, checking the customer's credit and accepting payment, identifying and reserving inventory (both on hand and scheduled), and committing to and scheduling a delivery date.

Order Interval

The time period between the placements of orders.

Order Level System

The level of materials at which a new supply order should be placed. In other words, at this level a purchase requisition is made out. This level is fixed somewhere between maximum and minimum levels.

Order Management

The planning, directing, monitoring, and controlling of the processes related to customer orders, manufacturing orders, and purchase orders. Regarding customer orders, order management includes order promising, order entry, order pick, pack and ship, billing, and reconciliation of the customer account. Regarding manufacturing orders, order management includes order release, routing, manufacture, monitoring, and receipt into stores or finished goods inventories. Regarding purchasing orders, order management includes order placement, monitoring, receiving, acceptance, and payment of supplier.

Order Picking

Selecting or "picking" the required quantity of specific products for movement to a packaging area (usually in response to one or more shipping orders) and documenting that the material was moved from one location to shipping.

Order Processing

Activities associated with filling customer orders.

Out of Stock

The state of not having inventory available for distribution or sale to a consumer (zero inventory).

Procurement

The business functions of procurement planning, purchasing, inventory control, traffic, receiving, incoming inspection, and salvage operations. *Synonym: Purchasing*

Pro Forma Invoice

An invoice, forwarded by the seller of goods prior to shipment, that advises the buyer of the particulars and value of the goods. Usually required by the buyer in order to obtain an import permit or letter of credit.

Public Warehouse

A business that provides short or long-term storage to a variety of businesses, usually on a month-to-month basis. A public warehouse will generally use their own equipment and staff; however, agreements may be made in which the client either buys or subsidizes equipment. Public warehouse fees are usually a combination of storage fees (per pallet or actual square footage) and transaction fees (inbound and outbound). Public warehouses are most often used to supplement space requirements of a private warehouse.

Purchase Order (PO)

The purchaser's authorization used to formalize a purchase transaction with a supplier. Also the physical form or electronic transaction a buyer uses when placing order for merchandise.

Purchasing

The functions associated with buying the goods and services required by an organization.

Quarantine

In quality management, the setting aside of items from availability for use or sale until all required quality tests have been performed and conformance has been certified. In a best practice process, items in quarantine are tagged, logged, and kept in a secure area pending disposition.

Raw Materials (RM)

Crude or processed material that can be converted by manufacturing, processing, or combination into a new and useful product.

Real-Time Processing

The processing of data in a business application as it happens, as contrasted with storing data for input at a later time (batch processing).

Receiving

The function encompassing the physical receipt of material, the inspection of the incoming shipment for conformance with the purchase order (quantity and

damage), the identification and delivery to destination, and the preparation of receiving reports.

Request for Quote (RFQ)

A document used to solicit vendor responses when a product has been selected and price quotations are needed from several vendors.

Return Goods Handling

Processes involved with returning goods from the customer to the manufacturer. Products may be returned because of performance problems or simply because the customer doesn't like the product.

Service Level

A measure, usually expressed as a percentage, of satisfying demand through inventory or by the current production schedule to a degree service meets the customer's requested delivery dates and quantities.

Shelf Life

The amount of time an item may be held in inventory before it becomes unusable. Shelf life is a consideration for food and drugs, which deteriorate over time, and for high tech products, which become obsolete quickly.

Supplier

1) A provider of goods or services. *See also: Vendor.* 2) A seller with whom the buyer does business, as opposed to a vendor, which is a generic term referring to all sellers and manufacturers in the marketplace.

Supply Chain

The material and informational interchanges in the logistical process stretching from acquisition of raw materials to delivery of finished products to the end user. All vendors, service providers, and customers are links in the supply chain.

Supply Chain Management (SCM)

As defined by the Council of Supply Chain Management Professionals (CSCMP), "supply chain management encompasses the planning and management of all activities involved in sourcing and procurement, conversion, and all logistics management activities. Importantly, it also includes coordination and collaboration with channel partners, which can be suppliers, intermediaries, third-party service providers, and customers."

Supply Planning

The process of identifying, prioritizing, and aggregating, as a whole with constituent parts, all sources of supply that are required by and add value to the supply chain of a product or service at the appropriate level, horizon, and interval.

Supply Warehouse

A warehouse that stores raw materials. Goods from different suppliers are picked, sorted, staged, or sequenced at the warehouse to assemble plant orders.

Transit Inventory

Inventory in transit between manufacturing and stocking locations, or between warehouses in a distributed warehousing model.

Vendor

The manufacturer or distributor of an item or product line. *See also: Supplier.*

Warehouse

A storage place for products. Principal warehouse activities include receipt of product, storage, shipment, and order picking.

Warehousing

The storing (holding) of goods.

Warehouse Management System (WMS)

The system used to effectively manage warehouse business processes and direct warehouse activities, including receiving, put away, picking, shipping, and inventory cycle counts. Also includes support of radio-frequency communications, allowing real-time data transfer between the system and warehouse personnel. They also maximize space and minimize material handling by automating put-away processes.

Waybill

A document containing a description of goods that are part of a common carrier freight shipment. The waybill shows origin, destination, consignee/consignor, and amount charged. Copies travel with goods and are retained by originating/delivering agents. Used by carrier for internal record and control, especially during transit. Not a transportation contract.

REFERENCES

Catholic Relief Services. (2010). *Purchasing Manual*. Baltimore, MD.

APPENDIX A: SAMPLE INVENTORY SUPPORT FORM

EQUIPMENT REGISTRY FORM

Inventory ID: CRS /		Plate No.:		Serial No.:	
Year / Make / Model:				Description:	
Local PR No.:		Requisitioner:		Date:	
Local PO No.:		Approved by:		Date:	
ERF No.:	Date:				
HQ PO No.:	Date:	Vendor PO:		Date:	
Date Acquired:		Vendor:		Cost (LC):	
DSPN (purchase):		DSPN (after transfer):		Cost (USD):	
Group Purchase ID:				Chassis No.:	
FAN No.:		Date:		Engine No.:	

Form completed by:

on (date):

Documents in file:
(not all may be required)

by (name):

PASTE PICTURE OF VEHICLES HERE

APPENDIX B: SAMPLE WAYBILL

Waybill

Project: [insert title and number]

Waybill Number: _____

1. Recipient Organization's Details

Recipient Organization's (RO) Name:		Code:	
RO's Address:			
Exact locality of delivery:		Approved Recipients by Category:	Cat 1:
Names of the RO's Legal Representative:			Cat 2:
Name of Alternate Authorized Receiver ^[1] :			Total:

2. Cargo Details

Request No:	Distribution Period:
Conveyor/Transporter:	Anticipated Delivery Date:

Section to be filled in by the Logistics/ Warehousing Service of the Organization							Section to be filled in by the Receiver			
DESCRIPTION		DETAILS OF MATERIALS		TOTAL DISPATCHES			RECEIVED QUANTITY			
Items	PACK			NPACK	G-WT	N-WT	Sound	Packaging Torn	Damaged	Missing
TOTAL										
Notes: PCKG: Packaging (give type and weight); PR1-3: Apportion amounts by programs/beneficiaries types covered by this dispatch; NPACK: Number of packages; G/N-W: Gross/Net Weight										

3. Organization – Approval

Prepared by [Name and Title]:	Approved by [Name and Title]:
Signature:	Signature:

4. Loading at Organization Warehouse

Date and place of loading:	Name of the Transporter:
Time - Beginning of loading:	Name of the Driver:
Time - End of loading:	Driving License Number:
Name of the Storekeeper:	Number Plate:
Signature and Seal of the Storekeeper	Signature of the Driver:

5. Unloading and Reception at Recipient Organization's Warehouse

Name and Title of the Receiver	Date and place of unloading:
Comments:	
Signature and Seal of the Receiver:	Signature of the Driver:

NB: This Waybill is made in five colored copies, to distribute as follows: white original (Organization Logistics), blue (Organization Programs), yellow (Warehouse), green (Recipient Organization), pink (Transporter).

^[1] Each recipient organization must have a second person, other than the Director, authorized to take delivery of the goods.

APPENDIX C: SAMPLE GOODS RECEIVED NOTE



<<COUNTRY>> Program

Date: _____

Reception Site / Warehouse: _____

GOODS RECEIVED NOTE No.: GRN - _____

DN / WB No.: _____ **Transport Co.:** _____ **Truck No.:** _____

Origin: _____ **Driver:** _____ **Trailer No.:** _____

PO Number: _____

Product Description	Unit QTY According to DN / WB	Condition Upon Arrival and Discharge					Total Losses (A + B + C + D)
		Good Condition	Missing / Short-Landed Units (A)	Torn or Leaking Containers (B)	Damaged Units (wet, crushed, etc.) (C)	Empty / Light Units (D)	
TOTALS:							

We the undersigned declare that we witnessed the unloading of the truck identified above, and we concur that the products and commodities listed were received in the condition as noted:

NOTE: By signing, individuals verify the authenticity of this document; it *IS NOT* an admission of responsibility for loss or damage.

Warehouse Mgr: _____ Driver: _____ Date: _____

AFTER RECONDITIONING

Product Description	QTY Recovered (a)	QTY Unfit or Destroyed (b)	Other Losses (c)	Total Loses (b + c)	Total Recovered and/or Lost (a + b + c)	Remarks / Comments
TOTALS:						

Operation completed on _____ 20 _____ at _____ AM / PM.

Signature: Warehouse Mgr: _____ Driver: _____

APPENDIX D: SAMPLE COMMODITY STATUS REPORT

COMMODITY STATUS REPORT Distribution FY06 2nd QTR JAN - FEB - MAR

AGENCY: Catholic Relief Services
Country: Bénin
Submitted Date: 5/23/06
Name: Carla Brown-Ndiaye, Country Representative
Signature:

		CM	MM	WSB	CSB	LENTIL	VEGOIL	RICE	GREEN	TOTAL
A.	PHYSICAL INVENTORY								PEAS	
1	PHYSICAL INVENTORY - 12/31/2005	10,875	0	675	43,175	89,900	16,371	500	18,378	179,874
2	ADJUSTMENT TO INVENTORY	0	0		0	0	0	0	0	0
3	ACTUAL PHYSICAL INVENTORY - 12/31/2005	10,875	0	675	43,175	89,900	16,371	500	18,378	179,874
B.	RECEIPTS									
1	ARRIVAL ACCORDING TO PL06BJ0904,0905, 0947, 0949	0	0	0	0	0	0	0	0	0
2	IN TRANSIT	0	0	349,175	0	0	99,995	0	323,600	772,770
4	EXCESS LANDED	0	0	0	0	0	0	0	0	0
5	COMMODITIES RETURNED FROM AGENCY	0	0	0	0	0	0	0	0	0
6	COMMODITIES RETURNED FROM AGENCIES	0	80,000	0	0	0	0	0	0	80,000
7	TOTAL RECEIPTS	0	80,000	349,175	0	0	99,995	0	323,600	852,770
C.	TOTAL AVAILABLE	10,875	80,000	349,850	43,175	89,900	116,366	500	341,978	1,032,644
D.	DISTRIBUTED DURING QUARTER									
1	FOOD ASSISTED CHILD SURVIVAL/MCH	0	39,800	0	0	35,000	21,206	0	0	96,006
2	GENERAL RELIEF/ SOCIAL ASSISTANCE	0	31,350	0	37,900	24,850	14,505	0	18,200	126,805
3	EDUCATION SUPPORT (SCHOOL FEEDING)	0	0	0	0	0	0	0	0	0
4	EMERGENCY	0	0	0	0	0	0	0	0	0
5	FOOD FOR WORK	0	0	0	0	0	0	0	0	0
6	SUB / TOTAL	0	71,150	0	37,900	59,850	35,711	0	18,200	222,811
7	REPAYMENT OF COMMODITIES TO AGENCIES	0		0	0	0	0	0	0	0
8	LOANS MADE TO OTHER AGENCIES	0		0	0	0	0	0	0	0
9	TOTAL DISPATCHED DURING THIS QUARTER	0	71,150	0	37,900	59,850	35,711	0	18,200	222,811
E.	BALANCE ACCORDING TO DOCUMENTATION (C-D9)	10,875	8,850	349,850	5,275	30,050	80,655	500	323,778	809,833
F.	PHYSICAL INVENTORY As OF 4/04/2006	0	8,850	349,275	5,275	30,050	80,518	300	323,778	798,046
G.	DIFFERENCE BETWEEN (E - F)	10,875	0	575	0	0	137	200	0	11,787
1	1. VESSEL LOSSES PL06BJ0905	0	0	0	0	0	123	0	0	123
2	2. PORT LOSSES	0	0	0	0	0	0	0	0	0
3	3. IN-COUNTRY LOSSES	0	0	0	0	0	0	0	0	0
4	4. WAREHOUSE LOSSES	10,875	0	575	0		0.00	200	0	11,650
	5. BULGUR WHEAT FOUND IN LENT STOCK	0	0	0	0	0	0	0	0	0
H.	TOTAL DIFFERENCE ACCOUNTED FOR (G1 + G2 + G3)	10,875	0	575	0	0	123	200	0	11,773
I.	I. TOTAL DIFFERENCE UNACCOUNTED FOR (G - H)	0	0	0	0	0	14	0	0	14

MM = Maize Meal / Commodity reimbursed by WFP in place of borrowed corn meal
F/WSB : 349175 kgs are stock in Port Warehouse, Physical Inventory not done
F/Green Peas: 323600 kgs are stock in Port Warehouse, Physical Inventory not done
14 KGS OF Veg Oil to be justified with the next CSR

APPENDIX E: SAMPLE RECIPIENT STATUS REPORT

RECEIPIENT	MONTH 1				
	STOCK INITIAL	RECEIPT	DISTRIBUTIONS	RETURNS	STOCK FINAL
	0	450	380	3	67
Partner 1	0	450	380	3	67
Partner 2					0
Partner 3					0
					0
					0
					0
					0

RECEIPIENT	MONTH 2				
	STOCK INITIAL	RECEIPT	DISTRIBUTIONS	RETURNS	STOCK FINAL
	0	450	380	3	67
Partner 1	0	450	380	3	67
Partner 2					0
Partner 3					0
					0
					0
					0
					0

APPENDIX F: SAMPLE BED NET FORM

LLIN QUANTIFICATION FOR GLOBAL FUND ROUND 9 APPLICATION

	LLIN DISTRIBUTED / PLANNED UNDER ROUND 6					
	Yr1	Yr2	Yr3	Yr4	Yr5	
<5 yrs reached with LLIN (estimated)						
Pregnant women reached with LLIN (estimated)						
Differentially abled reached with LLIN						
Total Population reached with LLIN (Round 6)	0	0	0	0	0	
Grand Total LLIN – Round 6					0	

		LLIN PLANNED UNDER ROUND 9				
		Yr1	Yr2	Yr3	Yr4	Yr5
Distribution Type						
Target Population (New)						
Target Population (LLIN Replacement)						
Total Target Population						
Total LLINs for Round 9 Distribution		0	0	0	0	0
Grand Total LLIN – Round 9						0

Assumptions for the following LLINs: 0

Example

- 70,322 nets will be distributed in 2009/2010 plus 297,256 nets which were distributed in 2007/2008 and 2008/2009 to pregnant women, CU5, and the differentially abled under R6. This group would not receive nets again until 2011 (120,999 and 2012 (176,257). A total of 289,905 LLINs will be distributed the general population in 2010/2011
- 70,322 nets will be distributed as well as a replacement of 120,999 under R6 plus 297,256 LLINs distributed the previous year minus the total population and providing one net to every two persons in the remaining population needing LLINs in 2010 under the R6 grant. This group would not receive nets again until 2013. Including the population growth rate of 30,396 a total of 67,287 LLINs will be distributed the general population in 2010/2011 under the R9 grant.
- 70,322 LLINs will be distributed to pregnant women, CU5 and the differentially abled in 2011/2012, and 70,322 to the same population cohort in 2009/2010 under R6. Replacement of 120,999 LLINs distributed in 2010/2011 and population growth factor of 31,160 plus net replacement of 176,257 under the R6 grant. Therefore a total of 92,185 LLINs will be distributed to the general population in 2011/2012 under the round 9 grant.
- 70,322 LLINs were distributed to pregnant women, CU5 and the differentially abled in 2011. Replacement of 360,227 LLINs distributed in 2010/2011 and population growth factor of 31,116. Therefore a total of 261,562 LLINs will be distributed to the general population in 2012/2013 under the R9 grant.
- An LLIN replacement of 258,608 LLINs distributed in 2013/2014 and population growth factor of 32,865. Therefore a total of 194,315 will be distributed to the general population in 2013/2014 will be distributed under the R9 grant.

APPENDIX G:

SAMPLE PROCUREMENT OFFICER JOB DESCRIPTION

JOB TITLE: **PROCUREMENT OFFICER**

DEPARTMENT: **LOGISTICS – PROCUREMENT**

SUPERVISOR: **DIRECTOR/SUPPLY CHAIN MANAGER**

PRIMARY FUNCTIONS: Overall procurement and asset management for emergency field operations. Collaborate and coordinate closely with the Logistics and Procurement Departments (whenever possible). Supervise calls for bid, local purchase operations, and international procurement. Coordinate with the various programming and administrative departments to ensure order what they need in the appropriate quantities and quality, that they receive what they ordered in the correct quantities when needed and at the right cost. Develop procurement management systems as needed and train staff in their use. Align field procurement systems with country program systems as appropriate. Modify or overhaul systems that are not efficient. Create filing systems and manage the document trail in a transparent manner to avoid compliance shortfalls and audit findings.

SUPERVISES: Assistant Procurement Officer, Purchasing Agent(s)

OPERATIONAL CONTACTS: Director; Administrative Officer; Program Managers and Coordinators; CP Purchasing and other staff; local Customs and various local Government Officials

GENERAL RESPONSABILITIES:

- As a member of a support department, encourage and positively reinforce open and continuous coordination and collaboration with all departments within Organization, particularly with staff, to ensure that the Procurement Office provides goods and services of the highest quality in the most cost-effective and efficient manner.
- Provide training and coaching as necessary to Procurement Office staff and other emergency staff
- Design fully compliant procurement and asset management systems; review and revise existing country program systems to meet the needs of the emergency operation. Verify that all systems and operations comply with policies and procedures.
- Fully document all procurement operations. Create procurement filing systems as required in the Policies and Procedures Manual.
- Review and approve local purchase orders and International Requisition Forms (IRFs). Review orders made by department managers and other parties to ensure budget availability, as well as quantity, quality and delivery requirements. Provide regular status reports on procurement to the departments.
- Develop efficient office supply requisition and ordering systems.
- Develop relationships and maintain contact with local vendors.
- Oversee calls for bid and contracting with suppliers. Acquire prices and pro-forma invoices for all purchases. Fully document all local purchasing activities.
- Analyze Field Requisitions, IRFs and purchase orders to determine:
 - a) that the description of the goods and/or services is accurate in every aspect, and that they are of the expected quality for the cost;
 - b) the method of pricing to be used (e.g., catalog, written or telephone inquiries, pro formas or other estimates);

- c) that all required support documentation is attached;
 - d) that quantities are correct and expected delivery times are realistic;
 - e) the choice of supplier, taking into consideration available facilities, vendor dependability, quality, reputation and geographic location;
 - g) the total price CIF, including all payment terms;
 - h) the best method of transporting the purchased item to final destination.
- Ensure that all requests for quotations are clear and complete.
 - Review and approve IRFs. When required, request approval of senior managers or regional staff. Place rush orders by telephone or fax, and follow up with written (or e-mail) confirmations.
 - Create procurement filing system as required under policies and procedures guidelines. Enter information into, and keep updated, purchasing and vendor databases.
 - Create and maintain inventories for goods purchased during the emergency.
 - Ensure that an adequate level of office and cleaning supplies is maintained and that rational distribution mechanisms are developed and implemented.
 - In coordination with the Logistics Officer, contract local transport companies for the delivery of relief supplies and commodities in an efficient and cost-effective manner.
 - Continuously evaluate and report on vendor performance.
 - Other tasks as may be assigned by the Director.

Qualifications:

- Self-starter with ability to operate efficiently and be successful under difficult conditions. Creativity and flexibility are paramount.
- Minimum 1 year experience with CRS and/or significant training and experience in Procurement, General Management, Logistics, Financial Management, Accounting or equivalent
- Excellent knowledge and understanding of generally accepted procurement and asset accounting principles
- Proven planning and organizational abilities
- Strong analytical and problem solving skills
- Proven leadership skills
- Demonstrated ability to prioritize, manage multiple tasks, delegate responsibilities and ensure follow-up
- Fluent written and spoken English
- Solid working knowledge of computers and the following software: Windows, Outlook, MS Excel, MS Word; ability with MS Access desired

APPENDIX H:

SAMPLE ASSISTANT PROCUREMENT OFFICER JOB DESCRIPTION

JOB TITLE: ASSISTANT PROCUREMENT OFFICER

DEPARTMENT: LOGISTICS - PROCUREMENT

SUPERVISOR: PROCUREMENT OFFICER

PRIMARY FUNCTIONS: Efficiently meet the procurement and delivery needs of office(s). Oversee the acquisition locally of pro formas and estimates. Manage bid comparison and vendor selection process. Provide cost and quality analyses prior to seeking Procurement Officer approval. Prepare local purchase orders and IRFs. Ensure follow up of purchase orders and contracted services. Monitor and report on vendor performance. Utilize the procurement management systems and train staff in their use. With the Procurement Officer, create filing systems and manage the document trail in a transparent manner to avoid compliance shortfalls and audit findings.

SUPERVISES: N/A

OPERATIONAL CONTACTS: Administrative staff; Program Managers and Coordinators; local vendors and service providers; local Customs and various local Government Officials

GENERAL RESPONSABILITIES:

- 1) Analyze each purchase requisition to determine:
 - a) that the quality description is accurate in every aspect, and that it is of appropriate quality;
 - b) the method of pricing to be used (e.g., catalog, written or telephone inquiries, or estimates);
 - c) that quantity and delivery information are correct;
 - d) the proper supplier (local or international), considering available facilities, dependability, quality, reputation and geographic location;
 - e) the right price, including all payment terms, f.o.b. or c.i.f. terms, and all tax exemptions permitted;
 - f) the best method of transporting the purchase item to destination.
- 2) Ensure that all requests for quotations are clear and complete.
- 3) Prepare all local purchase orders and International Requisition Forms (IRFs) in accordance with Organization procurement policies and procedures. Pass all POs and IRFs to the Procurement Officer for approval prior to making orders. Place rush orders by telephone, e-mail or fax, and follow up with a written confirmation.
- 4) Make necessary adjustments to final prices whenever invoice and purchase order prices disagree. Negotiate with suppliers as necessary and appropriate.
- 5) Handle correspondences concerning discrepancies.
- 6) Create and maintain continued working relationship with local supplier sales representatives.
- 7) Make visits to supplier stores and production facilities whenever the situation warrants.
- 8) Constantly investigate new sources of vendors, materials and services.

- 9) Solicit sealed bids when necessary and appropriate according to agency procurement guidelines.
- 10) Ensure proper filing of all documents for purchases.
- 11) Create individual files for vendors, as well as for commodities and services, to speed up procurement operations.
- 12) Perform additional duties as assigned by the Procurement Officer.

Qualifications:

- Self-starter with ability to operate efficiently and be successful under difficult conditions. Creativity and flexibility are paramount.
- Local language fluency required. Written and spoken English highly preferred.
- Excellent knowledge of local operating environment and communities highly desired.
- Some training and experience in Procurement, General Management, Logistics, Financial Management, Accounting or equivalent.
- Knowledge and understanding of generally accepted procurement and asset accounting principles.
- Planning and organizational abilities.
- Good analytical and problem solving skills.
- Leadership and supervisory skills.
- Demonstrated ability to prioritize, manage multiple tasks, delegate responsibilities and ensure follow-up.
- Working knowledge of computers and the following software: Outlook, MS Excel, MS Word.

APPENDIX I:

SAMPLE EFR LOGISTICS OFFICER JOB DESCRIPTION

TITLE: EFR LOGISTICS OFFICER

DEPARTMENT: LOGISTICS OFFICE

SUPERVISOR: DIRECTOR

PRINCIPAL RESPONSIBILITIES: Provide strategic and tactical leadership to the Logistics Office and departments. Create, implement and monitor the relief commodity and equipment supply chain and operations support system. Negotiate and contract warehouse facilities, transportation resources and logistics services. Develop commodity and equipment procurement, storage and dispatch plans. Prepare and submit various reports. Collaborate with the other departments of ORGANIZATION, particularly Programming, from planning through implementation and close out. Represent ORGANIZATION at logistics (e.g., Logistics Cluster; civil and military authorities, etc.) and other coordination meetings. Coordinate relief and supply chain activities with UNJLC, WFP, OCHA, CI partners, sister aid agencies, local partner agencies, etc.

SUPERVISES: Commodity Management Officer, Fleet Manager, Procurement Officer, Distribution Officer, Assistant Logistics Officers and Secretary

OPERATIONAL CONTACTS: Program Managers; representatives of various donors, international NGOs and UN agencies (including Logistics Cluster and UN Joint Logistics Centre); ORGANIZATION/Shipping and ORGANIZATION/Purchasing; USAID OFDA/DART Officers; partner representatives and officials; and local Customs and various Govt. Officials.

- ***Design, implement and monitor the relief commodity and equipment supply chain:***

- ⇒ As a member of a support department, encourage and positively reinforce open and continuous coordination and collaboration with the other departments within ORGANIZATION, particularly with the program officers and their staffs. Ensure that the Logistics Office provides goods and services of the highest quality, in the most cost-effective and efficient manner.
- ⇒ Coordinate with programming staff to determine the types and quantities of operations support, relief supplies and equipment that will be required immediately and over the longer term to meet program objectives.
- ⇒ Plan – strategically and tactically – the immediate and longer-term logistical requirements necessary to store and transport relief supplies.
- ⇒ Assess logistical infrastructure, utilizing local knowledge, including: road, rail and water transportation systems; warehouse facilities (central, intermediate and extended); means of transportation (land, air and water); commodity and equipment vendors.
- ⇒ Identify storage facilities, transportation resources and leasing options; share storage facilities and transport if possible with UN agencies, other NGOs or partner organizations. Make full use of “common services” as available and appropriate.
- ⇒ Coordinate supply chain planning and implementation with other agencies.
- ⇒ Budget costs of personnel, goods, services and leased assets.

- ⇒ Hire and train staff.
- ⇒ Develop and oversee the commodity pipeline(s).
- ⇒ Prepare and share regular reports on commodity acquisition, movements, distributions and replenishments.
- ⇒ Set up a viable filing system for all Logistics Office documents.
- ⇒ Maintain up-to-date field office equipment and furniture inventories.
- ⇒ Determine local logistics service requirements, ensure procurement procedures are followed to select service providers, negotiate prices and terms, select service providers, and prepare contracts.

- **Supervise Logistics Office personnel:**

1. Commodity Management Officer (CMO)

- ⇒ Identify, contract, rehabilitate and equip warehouse facilities as necessary.
- ⇒ Establish and oversee the application of warehouse and commodity systems and procedures.
- ⇒ Hire and train warehouse staff.
- ⇒ Maintain up-to-date commodity pipelines and dispatch plans.
- ⇒ With Commodity Management Officer, prepare warehouse stock plans and dispatch plans.
- ⇒ Ensure the efficient reception and inventory of relief supplies and equipment, and the loading and departure of delivery trucks according to dispatch plans.
- ⇒ Communicate delivery plans to programming staff, transportation contractors and/or ORGANIZATION drivers.
- ⇒ Ensure that the required waybills are prepared and arrive at the appropriate warehouse well in advance of the loading of the trucks in accordance with the delivery plan.
- ⇒ Maintain up-to-date registers for each warehouse; oversee the preparation and submission of “Weekly Commodity Status Reports” and “Weekly Reports of Total Tons Transported.”
- ⇒ Supervise the scheduling of the movement of trucks and drivers; certify that the deliveries are completed according to the regulations (written and unwritten) of the ORGANIZATION Relief Program.
- ⇒ Verify invoices received from private warehouse landlord and service providers; submit verified and approved copies to the Finance Office for payment.

2. Procurement Officer

- ⇒ Assess local markets to determine availability, quality and cost of required goods and services.
- ⇒ Arrange for duty-free importation of internationally procured commodities and equipment, and the duty-free local procurement of goods and services. Determine importation procedures (coordinate with UNJLC, Logistics Cluster, other NGOs and local government authorities).
- ⇒ Coordinate with programming to plan and prioritize procurement for the immediate, short- and longer-term. Determine required or desired specifications of commodities, packaging, delivery schedules, etc. Inform staff of expected lead times for goods and equipment.
- ⇒ Standardize purchases to the extent possible, particularly with vehicles and IT equipment.
- ⇒ Ensure ORGANIZATION procurement policies and procedures are in place and adhered to. Assist with set up of effective and efficient file system.
- ⇒ Assess impact of local procurement on market prices, and adjust strategy accordingly.

- ⇒ Evaluate in-kind donations against need, appropriateness, management and transport costs. Pay particular attention to packaging and expiration dates.
- ⇒ Set up inventory of equipment, furniture, etc. imported for the response.
- ⇒ Manage directly international procurement; supervise local procurement.

3. Fleet Manager

- ⇒ Assess local availability of vehicles and leasing options for vehicles (passenger and trucks). Discuss possibility of borrowing vehicles from other programs, from local Catholic missions and organizations, etc.
- ⇒ Contract passenger and transport vehicles as necessary. Plan for excess capacity (15-20% over expected need).
- ⇒ Coordinate with Programming and the Procurement Office to determine the models of vehicles to procure internationally. Standardize to the extent possible.
- ⇒ Ensure availability of sufficient drivers, fuel, lubricants, spare parts and tires, maintenance and repair options.
- ⇒ Coordinate with international community to ensure fuel stock availability. Set up fuel farm as necessary.
- ⇒ Hire and train drivers.
- ⇒ Oversee implementation of vehicle management and control system: vehicle logs, daily checks, maintenance and repair schedules, travel planning, etc.
- ⇒ When necessary, work with local communities or hire temporary personnel to improve roads and infrastructure along supply chain.
- ⇒ Verify invoices received from private transport companies and service providers; submit verified and approved copies to the Finance Office for payment.

4. Beneficiary Registration and Distribution Manager

- ⇒ With other agencies, determine coordinated modalities for the distributions of standardized goods and services, including ration sizes.
- ⇒ Determine distribution points, staffing needs, and schedules.
- ⇒ Prepare various documents and formats needed to register beneficiaries, manage distributions, and report on distribution activities.
- ⇒ Hire and train distribution staff as necessary.
- ⇒ Ensure beneficiaries are informed of the distribution locations, schedules and services and goods they will receive.

- **Preparation and submission of weekly and quarterly reports:**

- ⇒ Prepare the following (among other) reports for internal use: situation reports (for Logistics Office); commodity status reports; weekly and monthly warehouse and commodity status reports; distribution reports; recipient status reports; loss reports (ocean and internal); quarterly activity reports; results reports.
- ⇒ Prepare the following (among other) reports for local government authorities: types and quantities of relief goods imported and delivered for the relief program.
- ⇒ Other reports as necessary or requested by the Team Leader or programming.

- **Other:**

- ⇒ Conduct monthly physical inventories of all warehouses. Prepare and submit inventory reports.

- ⇒ Administer the final disposal of spoiled foodstuffs.
- ⇒ Assist Logistics staff with the preparation and submission of Trip Reports, Daily Worker Payroll Vouchers, Travel Authorizations and other documents - financial and administrative – required by the Director.
- ⇒ Serve as a “resource person” for other ORGANIZATION Offices requiring information about the functioning of the relief program in general and the LO in particular.
- ⇒ Provide assistance and oversight to counterpart organizations as required or requested.
- ⇒ Other tasks as may be assigned by the Team Leader.

Qualifications:

- ⇒ University degree in international development, general management, finance, business, or other relevant field, or significant training in supply chain management
- ⇒ Minimum three (3) years experience with an international NGO or UN agency in a similar capacity
- ⇒ Proven ability to work under pressure and to meet deadlines
- ⇒ Excellent understanding of and experience in logistics and supply chain management
- ⇒ Creative problem solver; flexible nature; excellent sense of judgment
- ⇒ Ability to work simultaneously on multiple tasks
- ⇒ Willingness and ability to work effectively with a wide variety of people in challenging conditions
- ⇒ Ability to work as part of a team and coordinate closely with project personnel
- ⇒ Experience training and supervising staff
- ⇒ Fluent English
- ⇒ Computer literate (good knowledge of MS Word, MS Excel, MS Outlook and MS PowerPoint; working knowledge of MS Access a plus)

Catholic Relief Services (CRS)
228 W. Lexington Street
Baltimore, MD 21201, USA
Tel: (410) 625-2220

www.crsprogramquality.org

