Institutional Strengthening:

Building Strong Management Processes

GUIDE

CRS
CATHOLIC RELIEF SERVICES

Members of the Mwamba "A Rock" Peace Club (in the Nairobi, Kenya area) joined the Government Chief and other residents in planting trees on the surrounding property of the Chief's Camp. Photo by Debbie DeVoe/CRS

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Since 1943, Catholic Relief Services (CRS) has had the privilege of serving the poor and disadvantaged overseas. Without regard to race, creed, or nationality, CRS provides emergency relief in the wake of natural and manmade disasters and through development projects in fields such as education, peace and justice, agriculture, microfinance, health, and HIV, CRS works to uphold human dignity and promote better standards of living. CRS also works throughout the United States to expand the knowledge and action of Catholics and others interested in issues of international peace and justice. Our programs and resources respond to the U.S. bishops' call to live in solidarity—as one human family—across borders, over oceans, and through differences in language, culture and economic condition.

FOR THOSE WHO WISH TO ADAPT THESE MATERIALS:

The material contained in this publication may be used without prior authorization. We would very much appreciate receiving your feedback on how you have used the materials. You will find an evaluation form at the end of chapter one, the introduction. You may also contact us at the address below or by email to pqsdrequests@crs.org.

FOR THOSE QUOTING THESE MATERIALS IN OTHER PUBLICATIONS:

The Institutional Strengthening Guide was developed under AIDSRelief, a $600 million project providing increased access to antiretroviral therapy to people living with HIV. The project is funded through the U.S. President's Emergency Plan for AIDS Relief (PEPFAR). This publication was made possible by grant number U51HA02521 from the Health Resources Services Administration (HRSA).

CRS PARTNERSHIP PRINCIPLES

- Share a vision for addressing people's immediate needs and the underlying causes of suffering and injustice.
- Make decisions at a level as close as possible to the people who will be affected by them.
- Strive for mutuality, recognizing that each partner brings skills, resources, knowledge, and capacities in a spirit of autonomy.
- Foster equitable partnerships by mutually defining rights and responsibilities.
- Respect differences and commit to listen and learn from each other.
- Encourage transparency.
- Engage with civil society, to help transform unjust structures and systems.
- Commit to a long-term process of local organizational development.
- Identify, understand, and strengthen community capacities, which are the primary source of solutions to local problems.
- Promote sustainability by reinforcing partners' capacity to identify their vulnerabilities and build on their strengths.

Partnership is fundamental to how CRS sees itself in the world. CRS believes profoundly that change occurs through local partners, that by sustaining and strengthening local institutions, they enhance a community's ability to respond to its own problems. Catholic Relief Services puts its approach to development, emergency relief, and social change into practice through partnerships with a wide array of organizations: local churches and nonprofits, host governments, international agencies, and others. CRS strives for partnerships founded on a long-term vision and a mutual commitment to peace and justice. For more than sixty years, CRS has worked side-by-side with partners to alleviate human suffering, promote social justice, and assist people as they strive for their own development.

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Members of the St. Patrick's All-Stars marching band in Old Harbour Bay, Jamaica, after Hurricane Dean in September, 2007.

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ABOUT THE GUIDE

CRS is committed to supporting the work of its partners as they provide high quality, comprehensive, and sustainable services to the poor and those suffering injustice. CRS works with local partners to put in place the systems and structures needed for healthy institutions, providing quality services. CRS desires, together with its partners, to be responsible stewards who respect national laws, international conventions, professional ethics, and commonly accepted standards. To achieve this aim, CRS developed this Institutional Strengthening Guide, designed to assist Catholic Church structures, members of civil society, and CRS country offices in their efforts to improve their organizational systems and structures.

Organizational weaknesses are key bottlenecks for any program hoping to achieve sustainability. Leaders, managers, and staff recognize the need to strengthen their organizations in order to respond to the many external challenges facing them. The Institutional Strengthening Guide was developed from the experience of AIDSRelief partners and CRS's AIDSRelief Institutional Capacity Development team as they transitioned management of a large, complex, U.S. government-funded antiretroviral therapy (ART) program from the AIDSRelief consortium to Local Partners. In ART programs, scale up, integration of ART care with other clinical services, and decentralization and sustainability of the program is dependent on strong planning, management, and systems. ART programs are not unique in needing these strengths; as a result, CRS used the experience of AIDSRelief as the basis for this Guide.

The Guide presents principles, minimum standards and best practices, business processes, references and tools deemed important for effective, efficient, and sustainable organizations. The Guide consists of ten chapters that cover the key functional areas of most organizations. Each chapter (and indeed each step and process within each chapter) can be used as a stand-alone document. With the exception of Chapter 3, Health and Human Services Regulations, the chapters in the Guide can be used by many different types of organizations, in many sectors (such as agriculture, health, peacebuilding, water supply, nutrition, education, or environment.) CRS offers the Guide as an adaptable tool which may be used to develop new, or strengthen existing policies, processes and practices.

DESCRIPTION

Every organization has its own unique context, understanding, interpretation and implementation of different business processes. These chapters provide information on how to develop or improve business processes and related policies and procedures. Organizations interested in developing or improving their business processes and related policies and procedural manuals will use the information provided in the Guide in different ways.

In addition to the contents of the chapters detailed below, this Guide contains many tools that may be used directly or adapted, as well as references to many other resources for further reading on each organizational functional area.

Chapter 2: Assessment Tool

The Holistic Organizational Capacity Assessment Instrument (HOCAI) helps assess organizational strengths and weaknesses. HOCAI provides a standardized framework to assist an organization's leadership and staff engage in a process of organizational assessment and improvement. The resulting scores will provide guidance into which organizational functional areas require the most attention and which chapters in the manual should be prioritized.

Chapter 3: Health and Human Services

Those organizations working on projects funded by the U.S. Department of Health and Human Services are required to follow specific regulations in carrying out the activities of the award. This chapter outlines key regulations applicable to HHS awards. Users of this chapter are reminded that the chapter does not comprehensively cover all the requirements and are encouraged to refer to the respective regulations for more details.

Chapter 4: Governance

Institutional governance and leadership are essential to achieving organizational efficiency and sustainability. Governance is the process through which institutions and organizations are directed, controlled, and held accountable. It is concerned with effective systems and structures and is a vital ingredient in the maintenance of a dynamic balance between the need for order and equality in society, the efficient production and delivery of goods and services, and accountability in the use of power.

Chapter 5: Strategic Planning

Strategic planning is an important function and process in overall organizational health. There are many excellent strategic planning guides available; this section provides the websites of easy-to-use and easy-to-download strategic planning manuals. Also included is a short list of websites with resources and articles on the importance of strategic planning.

Chapter 6: Finance

This chapter summarizes most key accounting processes and concepts that apply to nonprofit organizations. It does not include accounting theory, nor does it cover all accounting concepts. Adoption of the policies and procedures detailed will lay the foundation for a controlled and formalized environment for the accurate recording and timely reporting of financial transactions. It will also help to establish effective management of and accountability for funding received and expenditures made against that funding.

Chapter 7: Procurement

The guidelines presented in this chapter are a collection of supply chain management 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 supply chain management policies, procedures and practices.

Chapter 8: Human Resources (HR)

The chapter includes information related to recruitment and orientation; compensation and benefits; performance management; employee relations; staff care and safety; and staff separations from the organization. It addresses the need to use good business practices, systematize the HR process, ensure the effective and efficient management of HR resources, avoid confusion, and ensure fair and consistent treatment of everyone in the organization.

Chapter 9: Information and Communication Technology (ICT)

Intended as a reference or working document targeted at organizational managers and ICT practitioners. It aids the development and/or enhancement of ICT management processes. Specifically, this chapter presents the principles, minimum standards and best practices for the successful establishment of an ICT implementation process and a software selection process.

Chapter 10: Monitoring and Evaluation (M&E)

All organizations need good monitoring and evaluation data on performance, outcomes, and impacts to design program interventions. This chapter guides an organization's leadership and staff through the two key business processes required for high-quality M&E: conducting the project design and proposal development process and undertaking specific steps that enable M&E to support the project management and implementation process.

HOW TO USE THE GUIDE

The Guide is intended to serve as a "go-to" reference for organizations – whether part of the Catholic Church, from other faith traditions, or secular nonprofits – wishing to develop or improve existing institutional strengthening systems and processes. The Guide may be used as a quick reference to answer specific questions rather than read from cover to cover.

Normally, the process of strengthening an organization's capacity begins with an assessment. The leadership of an organization should consider selecting a diverse group of stakeholders for involvement in the assessment and subsequent improvement process. Whether the process is conducted by individuals, group discussions, or a workshop, the organization's leadership must maintain a task-oriented yet supportive environment, encouraging and respecting the contributions of individuals from different work units, levels, and areas of specialization.

The next chapter provides an organizational capacity assessment tool, the Holistic Organizational Capacity Assessment Instrument (HOCAI); a structured, thorough, and participatory analysis of each organizational function assists management and other levels of staff to identify areas needing improvement and areas of strength to maintain. Conducting an assessment will facilitate informed decision-making by the organization's staff and leadership regarding the selection of the chapters.

The compliance checklist provided within each chapter can be used as a detailed assessment as well as an evaluation tool after an improvement is completed.

Once the organization's staff and leadership have completed the HOCAI and identified areas of organizational weakness, the relevant chapter(s) should be selected from the Guide. Each chapter helps clarify the role and importance of each organizational function. In general, the chapters consist of the following parts:

- Organizational Area Process Map
- Purpose of the chapter
- The functions of the organizational area
- Key principles of the functional area
- Process description and process flow (steps)
- Compliance checklist
- Glossary
- References
- Appendices

Each chapter provides thorough and detailed information related to the business process(es) needed to establish or improve organizational systems. A business process is nothing more than a set of steps, or activities, described in a chronological fashion, which leads to the successful completion of a particular goal. In the Guide, business processes are both described and presented in flowcharts as a sequence of activities. Business processes are described in the following manner:

- **Functional area map:** a visual summary of all the business processes needed in the described area of organizational function
- **Process description:** a brief summary of all the steps needed to accomplish a specific organizational goal, including any process-specific principles
- **Process flow:** a visual summary of the steps in each process
- **Steps:** each step includes the following information:
  - **Inputs:** materials and information needed to accomplish the procedure
  - **Outputs:** deliverables resulting from completion of the procedure
- **Roles:** natural division of labor
- **Process integration points:** examples of where functional areas have an impact on one another, or must be coordinated in order to be effective
- **Step summary:** a brief summary of the information in the step description
- **Step description:** a detailed explanation of the principles, minimum standards, and best practices for the organizational function

Action Planning

After completing the assessment and identifying the relevant chapters, the organization's staff and leadership should review the steps proposed in the chapters to determine the concrete actions necessary to improve that area of organizational function. This discussion should identify forces that may inhibit or support the proposed change and devise a strategy to address the forces. The organization's staff and leadership should focus on developing a feasible action plan that can be implemented over a specified timeframe, taking into consideration all internal and external factors. Before undertaking an improvement, the proposed process should be checked against the organization's by-laws as well as national and local laws.

After reading relevant chapters and discussing the factors that inhibit or support change, the organization's staff and leadership should discuss and decide upon how the improvements, or capacity strengthening, will be conducted to bring the institution closer to the standard(s) described in each chapter. A capacity strengthening program may include, but is not limited to, coaching and mentoring, training and peer-to-peer learning, organizational design and restructuring, job share and secondment, program design, monitoring, evaluation, learning design, and equipment and software purchases.

The action plan, and capacity strengthening program, should include the following:

- **Problem statement:** description of the identified organizational weakness
- **Objectives:** specific, measurable, achievable, relevant, and timely (SMART); a concise commentary on what the improvement effort and capacity strengthening aim to achieve and how the organization intends to implement the improvement[1]
- **Activities:** the steps, or specific activities, to be taken to achieve each objective
- **Approach:** the method that will be used in capacity strengthening, such as capacity building, institutional strengthening, or accompaniment
- **Time frame:** the length of time and the deadlines for each action
- **Persons responsible**: the individuals or work units responsible for implementing the activities
- **Resources:** human, financial, and material resources needed to achieve each objective
- **M&E:** the monitoring and evaluation indicators for assessing the achievement of each objective
- **Champion:** the leader, or supervisor, who will provide high level approval and guidance to the improvement effort

While developing the activities for each objective, the organization's staff and leadership should take into consideration all the necessary factors: time, money, personnel, and skills. They may ask themselves, "Is this what we can do in the near future?", "Do we have enough capacity for that?", "Is this very important for us?" Ownership is key to sustainable change. The action planning exercise may require painful decisions and it will be more difficult to take such decisions without commitment (buy-in) from the organization's staff and leadership.

Establishing, Implementing or Improving Business Processes

Once the action plan for the functional area and its business processes is completed, the organization's staff and leadership should launch its implementation, which might mean either establishing new systems, policies and procedures or improving the existing ones. The tools attached to each Guide are useful instruments that could be used to facilitate the processes

1 ProPack I, page 186, Stetson,Valerie; Sharrock, Guy; Hahn, Susan. CRS 2004

described in the Guide. Tools include underlying policy templates, sample forms, handbooks, or systems that the organization can use and adapt.

Strong action plans will support the organization in implementing the selected activities and evaluating progress towards achieving the objectives. It is the responsibility of the leadership and/or management team of the organization to oversee the implementation, monitoring, and evaluation of the action plan.

External assistance is sometimes needed to implement the action plan. Resource needs are identified during the action planning process. Using the action plan, an organization may identify where they need to access resources (through fundraising or revenue generation) for capacity strengthening. Additionally, the organization's leadership and management should note how the improvement may be implemented, should external resources be unavailable.

Evaluating the Results of a Capacity Strengthening Plan

Typically, a review of the capacity strengthening process should take place every four to six months, based on the indicators in the action plan. The organization's leadership and management should establish a review date during the planning stage, so they can monitor the implementation of planned activities. Organizational development should not be a one-time process. For an organization to improve and develop, it should see organizational development as part of its normal operations, continuing to analyze, plan, implement, and review, able continuously to learn and to do things better. A sample monitoring tool is found in chapter two, after the HOCAI.

CONCLUSION

This Guide is offered in the belief that people and organizations in their own context are best suited to identify and address their development needs. All organizations struggle to function more effectively, as many face shortages of human, material, and institutional resources and operate in contexts that challenge even the strongest organization. Healthy institutions help ensure that positive changes are sustained at the end of a development project's technical support or funding. Furthermore, healthy, sustainable organizations make up a vibrant civil society that, in turn, helps lead a country toward good governance and social transformation. Capacity strengthening is an essential step in the process, contributing to sustainable development impact.

EVALUATION FORM

CRS values your feedback concerning the applicability and usefulness of this Guide to your organization. CRS commits to updating and improving the Guide, therefore your feedback is much appreciated. Please provide your comments to pqsdrequests@crs.org using the following questions:

The things your organization appreciated most about the Institutional Strengthening Guide are:

How was the Guide, or individual chapters, of use to your organization?

Please list in order the MOST relevant and useful chapters to your organization. Please explain your rationale.

Please list in order the LEAST relevant and useful chapters to your organization. Please explain your rationale.

What additional information (chapters) would be relevant and useful for your organization? Why?

Please comment on the following aspects of the Guide:

Layout and structure

Language and/or terminology

Style and tone

Business processes

Tools, references, and bibliography

The Guide could be improved by:

Other comments or suggestions related to Guide or specific chapters

THANK YOU

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CATHOLIC RELIEF SERVICES

Chapter 2:

Holistic Organizational Capacity Assessment Instrument (HOCAI)

GUIDE

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Cover photo: Participants from CRS regions around the world meet in small groups at CRS headquarters during the M&E (monitoring and evaluation) Summit. Photo by Jim Stipe/CRS.

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CHAPTER 2: HOLISTIC ORGANIZATIONAL CAPACITY ASSESSMENT INSTRUMENT (HOCAI)

RICK D'ELIA FOR CRS

Two sisters construct a 20,000-liter cistern for their mother's farm in the semi-arid region of northern Brazil.

HOLISTIC ORGANIZATIONAL CAPACITY ASSESSMENT INSTRUMENT (HOCAI)

THE NEED FOR AN ASSESSMENT INSTRUMENT

Development and humanitarian work take place in increasingly complex environments with growing numbers of people in need. Resources are not sufficient to meet the needs and donors require measurable results, accountability, and indicators of efficiency and effectiveness of project interventions. These trends challenge civil society organizations to improve their performance to operate with maximum efficiency and effectiveness.

Catholic Relief Services' (CRS) Holistic Organizational Capacity Assessment Instrument (HOCAI) is designed to assist organizations to conduct a self-analysis of their strengths and challenges, develop an action plan, and improve organizational functions through capacity strengthening. With HOCAI, CRS creates a standardized framework to help organizations engage in a process of continuous assessment and improvement that will sustain organizational capacities.

INTEGRAL HUMAN DEVELOPMENT (IHD) CONCEPTUAL FRAMEWORK AND HOCAI

The HOCAI is based on the integral human development concept and framework[1]. Both HOCAI and IHD promote the understanding and application of Catholic Social Teaching principles in the practice of humanitarian and development assistance. The IHD concept envisions a world where all people are able to meet their basic needs, reach their full potential, and live with dignity in a just and peaceful society.

The IHD framework uses a lens that focuses on structures and systems, assets, and risks that include shocks, cycles, and trends. The HOCAI, in turn, focuses on the structures and systems of the non-profit organizations working to support communities.

1 A User's Guide to Integral Human Development, Geoff Heinrich, David Leege and Carrie Miller. 2008 http://www.crsprogramquality.org/storage/pubs/general/IHD_userguide.pdf?

THE BENEFITS AND CONSTRAINTS OF ORGANIZATIONAL CAPACITY ASSESSMENT

Among the expected benefits of assessment, action planning, and capacity strengthening are stronger, healthier organizations better able to survive in uncertain times; improved service delivery and financial management; improved partner relations; better stewardship; accountability to donors and constituents; reduced risk; and increased opportunity for growth.

At the same time, there are challenges such as the potential reluctance to initiate a time-consuming and effort-intensive assessment, lack of staff skilled in organizational development, and the challenge of balancing short-term demands with long-term benefits. Using HOCAI allows an organization to explore internal functions and develop plans to improve performance. The data provided by the HOCAI is crucial to organizational health and growth.

GUIDING PRINCIPLES OF HOCAI

- The assessment is highly participatory, open, fair, involving, and empowering.
- The organization commits to open dialogue and transparency on the planning, process, and results of the assessment.
- The organization undertaking the assessment owns the process and outcomes of the assessment.
- The HOCAI is a learning and discovery process that requires open minds and non-judgmental attitudes.
- The assessment is conducted with a long-term organizational development perspective, but specific project perspectives may be priority areas for review and planning.
- The organization should be ready and open to continue capacity strengthening.
- HOCAI does not analyze specific technical or programmatic capacities, such as systems required to implement a child survival project.

TEN CAPACITY AREAS OF HOCAI

Each of the ten capacity areas are broken down into components, and each component contains a series of observable statements. The observable statements are the indicators against which an organization assesses its capacity. Each observable statement is ranked according to the organization's level of achievement and the level of importance the organization attaches to the area or function. A glossary of terms used in HOCAI is found in Appendix 1.

1. *Identity and Governance:* Governance, mission, and culture are the basis for the reputation of organization. It must have clearly defined identities, regulatory frameworks, values, mission statements, and governance structures that establish its identity and a mutually shared understanding of its objectives. Governance of the organization provides legitimacy, leadership, and direction to the organization.

2. *Strategy and Planning:* Strategy defines how an organization will achieve its mission. Strategic planning is an ongoing process that occurs at many levels within the organization for setting objectives and identifying the actions and resources needed to achieve those objectives. Staff and constituents need to be involved systematically in these planning processes and leadership should initiate regular review and modifications of the strategic plan and the operational plan to ensure organizational growth and health.

3. *General Management:* General management includes those components that keep the organization cohesive and on track with its mission. The organization should apply management processes and systems that ensure it uses its resources effectively to achieve its vision and goals and evaluate results.

4. *External Relations and Partnerships:* Building external relations and maintaining healthy and productive partnerships enhances the ability of an organization to achieve its mission by effectively linking with important and influential groups in the broader environment. Effective relationships enable the organization to leverage resource and to network with like-minded groups to influence the policy and regulatory environment.

5. *Sustainability:* Organizations are sustained through ongoing attention to decisions that affect their short and long-term viability – program, management, financial and political.

6. *Organizational Learning:* Organizational learning is a process whereby an organization develops, captures, retains, and applies the knowledge and learning of individuals within that organization. Processes for collaboration through knowledge communities are institutionalized and aid the creation, sharing, adaptation, and use of knowledge.

7. *Human Resource Management:* Human resource management promotes and administers policies and procedures that ensure that staff have the skills, motivation, and opportunity to make their best contribution to the mission of the organization. Human resource management is also concerned with hiring, compensation, performance management, safety, well-being and other components of caring for staff.

8. *Financial and Physical Resource Management:* Financial and physical resources are the tangible assets of the organization. It has the responsibility to exercise good stewardship of those resources --accomplishing programmatic objectives in a cost efficient manner, ensuring that there are effective internal control systems, and maximizing the benefits derived from use of those assets.

9. *Programming, Services and Results:* The programming, services, and results section comprises the programs, services, and products that organizations provide to their constituents. An organization must utilize its resources to deliver quality services to its constituency and measure the impact of those services.

10. *Gender Equality Integration:* Based on CRS' Guiding Principles and vision of Integral Human Development, gender equality (right relations) must be promoted both within organizational structures as well as in programming to bring about sustainable and impactful change in the societies and communities where we work.

SEAN SPRAGUE FOR CRS

A civil society workshop held at CRS office in the city of Dili, capital of East Timor.

HOW TO USE THE HOCAI

The HOCAI is a flexible instrument and is easily adapted to specific organizational contexts and cultures. There are two options for conducting organizational capacity analysis: self-assessment, which is facilitated internally; or external assessment, which brings in a facilitator from outside the organization. The question of which approach to use will depend on the purpose of the assessment and the resources available, such as time, available staff and financial support for the process. Whether internal or externally-facilitated, the assessment must emphasize promotion of meaningful dialogue with the people affected by the process to guarantee their ownership of the process. Regardless of whether an internal or external facilitator is used, the following six steps are proposed:

1. PREPARATION

Basics of the Assessment

The organization’s management team should answer these questions when planning the assessment:

- What do we want to get out of the assessment?
- Are the leadership team and staff committed to this process?
- Do other stakeholders understand and support us in this assessment?
- Have we allocated sufficient resources (time, budget, staff, individuals with the requisite skills and experience to facilitate the process) to conduct the planning, implementation, and follow-up to the assessment?

Establishment of Assessment Team

Once the questions above are resolved, the organization being assessed should develop terms of reference[2] (ToR) to establish the assessment team and spell out its responsibilities. The members assigned should be knowledgeable in organizational development and skilled in facilitation.

Review the HOCAI and Select the Capacity Areas and Components

The assessment team should carefully review all nine capacity areas along with their more detailed components and observable statements. From the nine capacity areas, the team will choose between carrying out a comprehensive assessment of all nine capacity areas or a more selective assessment of capacity areas and components that are the most important to the organization at that time. Next, the team will determine which components, in the selected capacity areas, to include in the assessment. Selection of the capacity areas and components depends on the management challenges and needs that the organization faces at the time of the assessment.

RICK D'ELIA FOR CRS

In Cambodia, CRS has partnered with the local community on an aquaculture project that promotes legal means of fishing and provides safe havens for the fish to grow their population.

Identify Information Sources and Methods for Data Collection

In order to establish a comprehensive understanding of the organization, the views of a wide range of individuals and groups within and outside the organization should be gathered and collated. How many individuals and groups to include will depend on time constraints, people's availability, political sensitivities and geographic location[3]. Preferably, representatives of all stakeholders' groups will participate in the assessment, including staff, board members, volunteers, constituents, and others with a role in the organization's activities and development.

There are several ways to collect data, including in group discussion, in a workshop, or in individual interviews. The method chosen depends on issues such as education and literacy levels of staff, organizational culture, need for transparency and level of trust among staff. The organization being assessed and the assessment team may also wish to adopt a hybrid approach.

2 Example of ToR outline is presented in Appendix 2.

3 Source: A Guide to the WWF Organizational Assessment Process, WWF International 2003

Advantages and disadvantages of data gathering methods:

METHOD	ADVANTAGES	DISADVANTAGES
Group Discussions (Round-table Discussions)	A group process with a facilitator is an efficient way of gathering valuable and detailed information. The approach is transparent, with open discussion of all statements, so senior managers and board members may feel more confident in the results. There can be open discussion of issues not previously discussed.	Dominant people can affect the participation of others and bias the discussion. Requires specific facilitation skills. Must have good note-takers or data may be lost. There is no anonymity in the group, therefore may not be appropriate in low-trust settings.
Workshop	May save time by gathering everyone together for a set period. May bring together those who do not interact frequently (board and staff, program and finance, etc.) Everyone knows what the results of the initial assessment are and can feel ownership.	An unskilled facilitator may not be able to solve problems or resolve conflict in the group, resulting in lost time, effort, and resources. Must have good note-takers or data may be lost. There is limited (or no) anonymity in responses, therefore may not be appropriate in low-trust settings.
Individual Interview	Is relatively objective and neutral. Participants can reflect on the categories, components, and observable statements free from the influence or opinions of others. May be useful for triangulation of data.	Individuals can be seen to be subversive and very subjective. The results need careful and open analysis by the assessment team. Senior management and board must be psychologically prepared for criticism as the individual interviews may reveal weaknesses.

2. PLAN THE ASSESSMENT

The assessment team should prepare the following for the assessment:

- Develop an agenda
- Arrange all logistical issues (e.g., venue, transportation, meals, copying, etc.)
- Prepare handouts, flipcharts, PowerPoint presentations, etc. in advance
- Identify and send a written invitation to the participants
- Assign specific roles that each person will play before, during and after the assessment (e.g., facilitating, reporting, time keeping, etc.)
- Identify a note-taker(s) and review what information needs to be captured and, how it will be recorded, including how individual and small group comments will be recorded

- Include time in the beginning of any event (individual, group, or workshop) for introductions and getting to know one another in order to build trust and comfort in the setting

Prepare the Participants

Before the actual data collection, organize an introductory session on the process. Include the following steps to prepare participants:

- Explain the goal of the assessment and how the data collected will be used. Emphasize when the participants will receive assessment results and how they will be involved in any organizational improvement efforts based on the assessment
- Explain the role of internal and/or external facilitators, note-takers
- Explain the level of confidentiality in the assessment process
- Review the assessment's observable statements and explain the concept of "desired state"
- Provide copies of the HOCAI in advance, so that necessary research may be conducted and confusion on terminology resolved (optional)

3. CONDUCT THE ASSESSMENT

Regardless of the approach selected, the facilitator must maintain a task-oriented yet supportive environment, respecting the contributions of individuals and completing the assessment on time and within the agreed-upon budget. During the process, the participants may ask for explanations of the statements and even challenge the assumptions of the tool. This is normal and encourages participants to reflect critically on the way they work and what needs to change. Facilitate a discussion of whether and how changes to the tool will be made. Finally, participants should be reassured not to worry that they have too many "weak" or "poor" scores – the point of the HOCAI is to identify those areas that are weak and important in a spirit of improvement. Exaggerating scores does the organization a disservice.

It is important to remember that the organizational assessment is not just about identifying capacity strengthening needs; it is also about recognizing and celebrating existing organizational capacities. If this is not done, the feedback workshop may concentrate only on the organizational shortcomings and lead to a negative spiral of demoralization, demotivation and disillusionment – in fact the opposite result of that which is intended.

4. DATA ANALYSIS

Analysis turns the raw information and opinions into knowledge about the organization's capacities that can guide future capacity building interventions[4]. Participation is a key principle for data collection and analysis (and for the whole assessment), with an emphasis on the fact that the organization being assessed take the lead in data interpretation, decision making on priorities and capacity building needs in the spirit of subsidiarity.

The assessment team may decide to group the capacity areas and/or components by their level of priority. Another method of data consolidation may be simply listing all components that have received high priority. Whatever method is chosen, the consolidated data should show the areas for improvement as well as strengths of the organization. Overall, the purpose of this exercise is to determine the general picture of organizational capacity.


DEBBIE DEVOE/CRS

In Hiyala, Sudan, a member of a community savings and lending group rests in her family compound.

The assessment team may also determine the capacity areas or components that received low ratings or where participants did not have sufficient information to rate the component. Make notes on statements or components receiving many "don't know" responses. While the overall performance of the organization in the given capacity area may be strong or good, "don't know" responses for some of the statements or components may demonstrate other organizational development problems, such as poor dissemination of information within the organization, lack of transparency and accountability, or lack of human resource management procedures, etc. It will be important to discuss the "don't knows" to determine the causes and remedies to the situation.

Conduct In-Depth Root-Cause Analysis

Once the list of capacity areas/components that need improvement is developed by consensus, the facilitator should help participants to uncover the nature of the selected areas in order to make the final selection of capacity issues to be addressed. As participants start to analyze data during the assessment process, they may focus on key issues to be addressed. However, the root-cause analysis is an opportunity to learn about the issues more as well as to confirm the ratings. Regardless of the ad-hoc analysis done during the data collection, root-cause analysis will help to sort through all of the data. This analysis suggests that the capacity deficit is attributable to causes and, unless it is addressed as a matter of priority, it is likely to have serious consequences for the organization's ability to achieve its goals.

4 WWF International. (2003). A Guide to the WWF Organizational Assessment Process. Gland, Switzerland.

DAVID SNYDER FOR CRS

Children gather to greet CRS staff members on a field visit to educational and empowerment projects in the migrant community of Madhavi, northeast of Mumbai, India.

A cause is an underlying factor that exists in the community, organization, or external environment that has brought about a problem. Effects are social, environmental, political, or economic conditions, usually negative, that result from the problem[5].

Thus, the facilitator applies *problem tree*[6] analysis to facilitate discussion around the causes of the identified issue and its effects. The facilitator asks participants a series of questions that will help them to identify the causes and effects:

- Write the capacity issue agreed by the participants.
- Ask participants to identify the causes underlying this issue. Responses can come from personal experience and knowledge as well as information uncovered during the assessment.
- As causes are identified, ask, "Why does this occur?" to identify other lower-level causes that contribute to this particular cause. Using tact and sensitivity, keep asking "But why?" or "What explains this?" until participants feel they cannot go any deeper.
- Group the causes into internal and external.
- Show one-way "cause and effect" relationships between the various causal statements.
- Review the capacity issue again and ask participants to identify the effects of the issue.
- As effects are identified, ask "And then what happened?" or "What were the consequences?" to identify other effects until all ideas are exhausted.
- Effects also should be grouped as internal or external to show the consequences to the organization and beyond.

Review the completed problem tree. The following questions can help participants to review, correct and further analyze the problem tree:

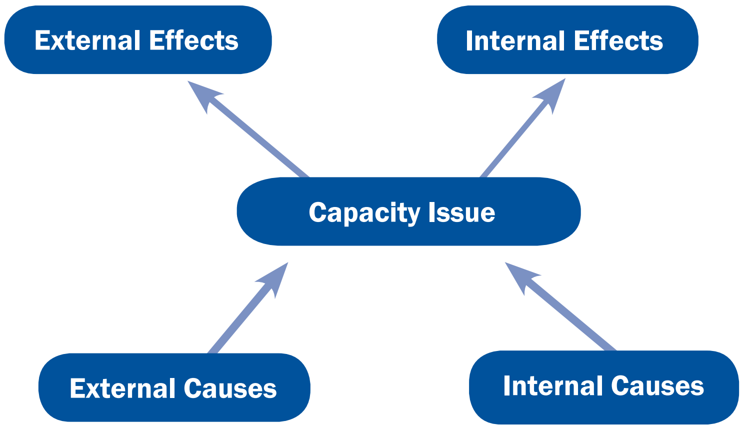
- Does each cause-effect link make sense? Is each link plausible?
- How well have the causes addressed the roots?
- Are there any unidentified root causes?
- What appears to be the relative contribution of each causal stream to the issue?

5 Catholic Relief Services. (2004). Pro Pack I. (Ch. III, page 79). Baltimore, MD: Hahn, S., Sharrock, G. and Stetson, V.

6 Catholic Relief Services. (2004). Pro Pack I. (Ch. III, page 78). Baltimore, MD: Hahn, S., Sharrock, G. and Stetson, V.

- Do some causes appear more than once? Why is this?
- Which causes show significant influence?

For the problem tree analysis, the following diagram could be used:



5. CHOOSE THE CAPACITY AREAS AND COMPONENTS TO BE IMPROVED

Choosing the issues is a crucial step. The ultimate goal is to end up with objectives and a strategy (action plan) that are specifically focused on improving the organizational performance and viability, taking into consideration the context in which the organization operates.

After in-depth root causes, the participants decide on needed improvements, choosing the most urgent capacity areas and components while at the same time being realistic about organizational capacity, using the follow criteria:

- Level of importance for the survival for organization
- Potential to influence organization's success
- Significance for program participants and stakeholders
- Urgency for improvement
- Resources available for improvement actions
- Time available to implement the improvement
- Risk of ignoring the problem
- Possible consequences of the interventions
- Difficulty or ease of improvement[7]

7 Adapted from Caritas Europa. (2002). *Strategic Organizational Development Approach*. Brussels, Belgium: Hradcová, D. and Karpisek, M.

Having selected the capacity areas and components, the facilitator helps the organization to develop an action plan to improve the identified areas and components. While developing the action plan, the facilitator should make sure that participants understand that they should be able to bring about the needed improvements without external support, as external resources may not be available.

6. ACTION PLANNING

Participants should understand that they should develop a realistic and valid action plan that they can implement over the specified time period taking into consideration all internal and external factors. The action plan must be owned by the organization, not imposed by the facilitator, donors, or other external actors. The components of the action plan may include the following[8]:

Problem statement: description of the identified organizational weakness

Objectives: specific, measurable, achievable, relevant, and timely (SMART); a concise commentary on what the improvement and capacity strengthening effort aims to achieve, and how the organization intends to implement the improvement.[9]

Activities: the steps, or specific activities, necessary to achieve each objective

Approach: the method that will be used in capacity strengthening, such as capacity building, institutional strengthening, or accompaniment

Time frame: the length of time and the deadlines for each action

Persons responsible: the individuals or work units responsible for implementing the activities

Resources: human, financial, and material resources needed to achieve each objective

Monitoring and evaluation: indicators for assessing the achievement of each objective

Champion: the leader, or supervisor, who will provide high-level approval and guidance to the improvement effort

While the problem tree displays "cause-and-effect" relationships, an *objectives tree* shows means-to-end relationships[10]. Negative problem statements,

8 Example of action plan format is presented in Appendix 3.

9 Catholic Relief Services. (2004). Pro Pack I. (Page 186). Baltimore, MD: Hahn, S., Sharrock, G. and Stetson, V.

10 Catholic Relief Services. (2004). Pro Pack I. (Ch. III, page 81). Baltimore, MD: Hahn, S., Sharrock, G. and Stetson, V.

transformed into positive objective statements, help identify the potential strategies that are available for tackling the core problems. For example, if the problem tree includes "high staff turnover," the objective tree transforms this into the positive objective statement "staff turnover is reduced".

Once the objectives are developed, the facilitator helps participants to brainstorm actions needed to achieve them. This discussion should include identifying forces that may resist or support change and devising a strategy to work with those forces. The data analyzed will help the participants understand what barriers to change exist, know how to improve activities based on an analysis of unintended as well as intended consequences, and understand better the external (political and social) environment.

At this point in the HOCAI process, the temporary assessment team usually completes its work and responsibility for implementation, monitoring and evaluation of the action plan transitions to the organization's management team. The agreed-upon capacity building interventions should be built into the formal planning processes, the strategic and annual plans. Senior managers should ensure that this takes places.

Once the organization's staff and leadership has completed the HOCAI and begun action planning, the relevant chapter(s) should be selected from the Institutional Development guide. The chapters provide information on how to develop or improve business processes and related policies and procedures and help clarify the role and importance of each organizational function, such as human resources, financial management, or governance. The chapters consist of principles, minimum standards and best practices, business processes, references, and tools necessary for effective and efficient fulfillment of the organizational function. After reading the relevant chapters, the organization's staff and leadership should review the steps proposed in the chapters to determine the actions necessary to improve that function and develop a time-bound, specific action plan.

Follow Up

Implementation of the action plan is the most important stage of the organizational development process. Plans are useful only when translated into action. How this happens will depend on the nature of the plans and the commitment of the organization's management to implementing the plan. The organization must establish procedures to monitor implementation plans.

The organizational development process encourages learning by organization members. Monitoring of the action plan's implementation is therefore very

Caritas staff members worked hand in hand with CRS during relief operations in Haiti. Days often began at 4 o'clock a.m. and did not end until late at night.

important for learning from the past and influencing the future: all participants can learn from success as well as from things that have not gone well. They can review any obstacles they have faced and plan new action to help them move forward. Typically, a review should take place every four to six months based on the indicators in the action plan. It could be useful for the facilitator (if external) to return to the organization and help with assessing progress and identifying lessons learned. An example action plan monitoring report format can be found in Appendix 4.

Finally, the HOCAI reference section provides useful links and recommended reading as well as the sources consulted in the preparation of the HOCAI.

HOCAI ASSESSMENT MATRIX

LANE HARTILL/CRS

In Niger, a man pulls water from the holding tank as his friend pumps water from the well. Because of the location of the wells in a depression behind the village, they never go dry.

I. IDENTITY AND GOVERNANCE

It is increasingly recognized that issues of identity, organizational governance, ethics, and meeting stakeholder needs are crucial to an organization's reputation, integrity, development, and success. Identity and governance are critical to organizational capacity development and must be addressed from the organization's founding. Organizations should make it a priority to have clearly defined identities, regulatory frameworks, values, mission statements and governance structures that promote organizational development.

Catholic organizations may wish to adapt this section to reflect their governance structures, which are often composed of bishops, provincials, or other appropriate religious leaders.

Level of Achievement

A) **Strong**, meets present needs

B) **Good**, will benefit from improvement

C) **Weak**, requires improvement

D) **Poor,** requires substantial improvement

E) **Don't know**

F) **N/A** (Not applicable)

Level of Priority

Top

Medium

Low

COMPONENT		CAPACITY AREA	LEVEL OF ACHIEVEMENT	LEVEL OF PRIORITY
1. Governance	**I.1.1**	A legally constituted board oversees the strategy and overall vision of the organization.		
	I.1.2	The roles of the board and board committees are defined in the constitution.		
	I.1.3	Board meetings are held regularly; decisions are documented and reflect accountability and stewardship of resources.		
	I.1.4	The board composition includes members who are recognized for leadership and/or areas of expertise and are representative of stakeholders including program participants.		
2. Mission, Vision and Values	**I.2.1**	Mission, vision, and value statements are clear, specific, developed in a participatory manner and are a compelling description of aspirations.		
	I.2.2	Mission, vision, and value statements reflect the needs of the constituency the organization serves.		
	I.2.3	Mission, vision, and value statements are approved by board.		
	I.2.4	Mission, vision and value statements are clearly articulated, known, and understood by stakeholders, community members and staff.		
	I.2.5	Mission, vision, and value statements are incorporated into existing systems and policies.		
	I.2.6	Mission, vision, and value statements are used to guide decision-making and daily activities.		

COMPONENT		CAPACITY AREA	LEVEL OF ACHIEVEMENT	LEVEL OF PRIORITY
2. Mission, Vision and Values (continued)	**I.2.7**	Organization fulfills its mission and vision without being donor dependent.		
	I.2.8	Mission and vision statements reflect the organization's values.		
	I.2.9	Staff are able to effectively explain the organization's mission, vision, and principles to partners and external stakeholders.		
3. Stake holder Participation	**I.3.1**	Stakeholders are identified through stakeholder mapping.		
	I.3.2	Organization knows and can adequately describe the major stakeholder characteristics.		
	I.3.3	Stakeholder participation occurs through a variety of opportunities such as board membership, fundraising, advocacy campaigns, priority setting, etc.		
4. Organization Constitution	**I.4.1**	Organization is registered and has a constitution.		
	I.4.2	Organization complies with all statutory requirements.		
5. Organizational Culture	**I.5.z**	Organizational culture reflects the mission and vision of the organization.		
	I.5.2	Work ethics encourage sharing, collaboration, and mutuality.		
	I.5.3	Organization respects cultural diversity, language, and religious beliefs.		
	I.5.4	Organization promotes a non-discriminating work environment.		
6. Organizational Structure	**I.6.1**	Organizational structure supports the organization's mission, vision, and values.		
	I.6.2	Organizational constitution and structure clearly separate management and board roles and responsibilities.		
	I.6.3	Organization has an up-to-date organizational chart, which is shared with staff.		
	I.6.4	Organizational chart clearly shows reporting levels and communication channels. Organizational chart reflects the decision making levels and reporting lines within the organization.		
	I.6.5	Administrative structure has a consultative mechanism.		
	I.6.6	All positions on the organizational chart are filled, or there is a plan in place to fill them in the near future.		
	I.6.7	Positions in the organizational structure reflect or represent the organization's staffing requirements.		

II. STRATEGY AND PLANNING

Strategy concerns how an organization achieves its broad long-term objectives by addressing those major structural and/or programmatic issues that are crucial to the long-term viability of the organization and the success of its programs. Planning is an ongoing process that occurs at many levels, for setting objectives that are related to the organization and its programs and for identifying the actions and resources needed to achieve the objectives. Staff and community members (or the organization's constituency) should be involved systematically in these planning processes in order to elicit their input and commitment. In addition, the organization's leadership should initiate regular review and modifications of the strategic and operational plans to ensure organizational growth and health.

COMPONENT		CAPACITY AREA	LEVEL OF ACHIEVEMENT	LEVEL OF PRIORITY
1. Overall Planning Process	II.1.1	The planning process reflects the organization's core values.		
	II.1.2	The planning process is documented and followed.		
	II.1.3	Relevant data from internal and external sources are used systematically to support and improve planning.		
	II.1.4	The planning process includes consultation with targeted communities and objective analysis of their needs.		
	II.1.5	The planning process includes participatory decision making for priority setting and resource allocation.		
	II.1.6	Responsibility for planning is included in staff job descriptions and staff performance and appraisal system.		
2. Strategic Planning	II.2.1	Strategy reflects the mission, vision, and values of the organization.		
	II.2.2	Strategy promotes human development.		
	II.2.3	Strategic planning exercise is carried out periodically.		
	II.2.4	Senior management leads the development of the organization's strategic plan.		
	II.2.5	Organization has internal expertise, or the capacity to efficiently use external expertise, to guide strategic planning.		
	II.2.6	Strategic plan is developed in a participatory manner that engages staff, stakeholders, and the communities impacted by the strategy.		
	II.2.7	Analysis of the internal and external environment, including major trends, is part of the organization's strategic planning process.		
	II.2.8	The strategic plan is clear, realistic, and achievable.		
	II.2.9	Timeframes for achieving strategic goals and objectives are clearly established.		

COMPONENT		CAPACITY AREA	LEVEL OF ACHIEVEMENT	LEVEL OF PRIORITY
2. Strategic Planning (continued)	II.2.10	Management uses the strategy to make decisions.		
	II.2.11	Strategy consistently helps drive behavior at all levels of the organization.		
	II.2.12	Initiatives are developed and implemented in ways that are consistent with the organization's strategic plan.		
	II.2.13	Strategy is reviewed and updated periodically in a participatory and representative manner by staff, stakeholders, and communities.		
3. Operational Plans	II.3.1	Operational plans are developed in order to achieve the strategic plan objectives, and the needs of those served by the organization.		
	II.3.2	Operational plans are used to inform budget preparation.		
	II.3.3	Operational plans are detailed and are implementable within a specified timeframe.		
	II.3.4	Operational plans indicate the human, financial, and material resources needed to achieve objectives.		
	II.3.5	Staff uses operational plans for decision making in day-to-day operations.		
	II.3.6	Staff performance and departmental deliverables are linked to the operational plan.		
	II.3.7	Plans are developed or reviewed periodically in a participatory and representative manner by staff and those served by the organization.		
4. Monitoring of Strategic and Operational Plans	II.4.1	Organization has monitoring systems for the strategic and operational plans that report on and communicate progress toward achievement of the plans' objectives to staff and stakeholders.		
	II.4.2	Leadership periodically engages staff to critically reflect on the strategic and operational plans' objectives and uses the information to adjust the plans or their implementation.		

III. GENERAL MANAGEMENT

Organizational management is fundamental to creating an environment that supports continuous improvement of individuals and organizations to provide better goods and services for the communities they serve. It pertains to the general mechanisms intended to lead and coordinate activities and facilitate processes within an organization. Under general management rest the components that keep an organization cohesive and on track with its mission, such as leading, organizing, overseeing, and controlling. Organizations should apply management processes and systems that ensure the organization uses its resources effectively to achieve its vision and goals and evaluate results. It is critical that management systems are transparent and easily understood.

COMPONENT		CAPACITY AREA	LEVEL OF ACHIEVEMENT	LEVEL OF PRIORITY
1. Management	III.1.1	Senior management provides leadership for policy, planning, operations, process integration, and coordination in line with the strategic plan.		
	III.1.2	Management ensures the organization has a sufficient number of staff and all have relevant qualifications and experience.		
	III.1.3	Management oversees appropriate information, reporting, and coordination systems.		
	III.1.4	The decision-making process is consultative to the extent possible and management communicates a clear and timely rationale on decisions made to those concerned.		
	III.1.5	Periodic reviews of management practices and organizational capacities are part of organizational self-assessments.		
	III.1.6	Management ensures the organization has up-to-date administrative, finance, and personnel policies and procedures available and adhered to by all staff.		
2. Reporting and Information Management	III.2.1	There are up-to-date procedures in place for internal and external reporting and information exchange, and the procedures are followed by all staff.		
	III.2.2	All organizational documents are systematically filed and archived according to documented procedures and are made available to all concerned parties as needed.		
	III.2.3	Staff at all levels adhere to established communication protocols.		
	III.2.4	Confidential personnel files are kept for each employee and access is provided according to local law requirements and a specified procedure.		
3. Team Relationships	III.3.1	Management supports a constructive and supportive team environment.		
	III.3.2	There is mutual respect, trust, and cooperation among employees at all levels of the organization.		

COMPONENT		CAPACITY AREA	LEVEL OF ACHIEVEMENT	LEVEL OF PRIORITY
3. Team Relationships (continued)	III.3.3	Scheduled team-building activities enable open team communication and collaboration and promote staff morale.		
4. Change Management	III.4.1	Senior management embrace and support change opportunities towards organizational improvement and growth.		
	III.4.2	Management provides the human, material, and financial resources to support and reward approved change initiatives.		
5. Risk Management	III.5.1	Senior management ensures the strategic planning process incorporates assessment of risks that jeopardize the values, credibility, or viability of the organization.		
	III.5.2	Internal control systems and mechanisms are in place for periodic reviews to ensure compliance and reduce risk.		
	III.5.3	Internal controls and risk management responsibilities are assigned to relevant staff that is held accountable.		
	III.5.4	The Chief Executive reviews all audit reports and ensures audit findings are addressed.		
	III.5.5	Staff is aware of compliance requirements and mechanisms exist to confidentially report instances of noncompliance to management without fear of retribution.		
	III.5.6	Management ensures operational and/or contingency plans are designed and implemented to address current or potential risks		
	III.5.7	An external advisory board or similar structure keeps the organization apprised of major trends that could pose serious risks to the organization or to those it serves.		
	III.5.8	Organization has controls in place to limit or reduce spending in the event of a revenue shortfall.		
	III.5.9	Organization has established financial contingency measures to minimize operational disruptions resulting from emergencies or other unplanned events.		
	III.5.10	Organization evaluates all insurable risks and takes the appropriate action.		
	III.5.11	Assets are not subject to any conflicts and/or litigation.		

IV. EXTERNAL RELATIONS AND PARTNERSHIPS

Building external relations and maintaining healthy and productive partnerships is essential for a non-profit organization to achieve its goals. This is a process by which the organization will promote strategic alliances and partnerships with various groups, such as policy makers and other stakeholders; develop communication and information dissemination strategies; set up adequate systems to monitor the effectiveness of partnerships; and enhance relations with donors and the general public in order to be recognized and respected, and therefore be able to adequately leverage resources. External relations involve a diversity of actors working to increase the influence of the organization, which can help it to achieve its goals and make it less vulnerable to changing economic circumstances.

COMPONENT		CAPACITY AREA	LEVEL OF ACHIEVEMENT	LEVEL OF PRIORITY
1. Relations with policy makers	IV.1.1	Organization has strategies in place to seek alliances with other groups and networks that advocate for the same issues and purposes.		
	IV.1.2	Organization establishes relationships with policy makers to advocate for application and/or creation of laws, regulations and policies that address the root causes of systemic issues and problems.		
	IV.1.3	Organization understands its role in advocacy or development of public policy and participates in advocacy activities.		
	IV.1.4	Organization strengthens its relationship with government without compromising its integrity and independence.		
	IV.1.5	Organization is involved in task forces or working groups with government.		
	IV.1.6	Organization possesses communication, information sharing, and dissemination strategies to inform and influence policies.		
2. Partnerships	IV.2.1	Organization makes programmatic and technical linkages with national and international organizations and the private sector in order to gain leverage and resources that enhance its ability to accomplish its mission.		
	IV.2.2	Organization prioritizes membership in coalitions, networks and alliances, and plays leadership role as appropriate.		
	IV.2.3	Organization has written agreements for its partnerships, which help to define and foster trust and cooperation.		
	IV.2.4	Organization consults regularly with major stakeholders to promote debate on policy issues, advocacy, needs assessment, funding, project design, implementation, and monitoring and impact assessment.		

COMPONENT		CAPACITY AREA	LEVEL OF ACHIEVEMENT	LEVEL OF PRIORITY
2. Partnerships (continued)	IV.2.5	Information about current or planned services, other activities, and results are routinely shared with intended beneficiary communities and other stakeholders.		
	IV.2.6	Organization monitors the effectiveness of its partnerships with other organizations through reflections and documented reports.		
3. Relations with donors	IV.3.1	Organization is successful in leveraging resources from the government and donors for itself, its partners and communities.		
	IV.3.2	Organization is known, recognized, and respected by international and local donors, other civil society actors, and government officials as appropriate to organization's capacities and to the socio-economic and political environment.		
4. Public relations	IV.4.1	Organization has a public relations strategy, which is used and regularly monitored and evaluated.		
	IV.4.2	The person responsible for public relations has the necessary qualifications for that purpose.		

V. SUSTAINABILITY

Creating sustainable institutions is at the heart of organizational development. Sustainability means that long-term perspectives are applied to all actions that concern the organization and its programs. Organizations and their programs are sustained through ongoing attention to making decisions that meet not only short-term requirements, but also ensure the long-term viability of the organization and the continuation of the benefits of its programs after the organization's support for those programs ends. The mechanism for sustainability may be the continuation of the organization or it may be the assumption of responsibility for service delivery by the community and/or constituency.

COMPONENT		CAPACITY AREA	LEVEL OF ACHIEVEMENT	LEVEL OF PRIORITY
1. Program sustainability	V.1.1	Program is focused and prioritized to reflect the values and strategic direction of the organization and advances the mission.		
	V.1.2	The community has ownership of the benefits that result from program implementation.		
	V.1.3	Organization is a recognized leader in its core program areas.		
	V.1.4	Program is designed and implemented equitably, inclusive of those who are most vulnerable and in need of access to program services.		
	V.1.5	Sustainability strategy is incorporated into all programs.		
	V.1.6	Program addresses gender and other equity concerns.		
	V.1.7	Program delivery systems and structures are appropriate to program scale, flexible and adaptive to changes in strategic direction.		
	V.1.8	Increasing numbers of people benefit from program.		
	V.1.9	Program has potential for replicability and scaling up.		
	V.1.10	Program has clear exit strategy understood by all concerned.		
2. Organizational sustainability	V.2.1	Management has the full support of its board or other governing structures in fulfillment of its mission, vision, and maintaining autonomy vis-à-vis donors.		
	V.2.2	Organization has internal capacity, networks, and reputation to attract and retain qualified staff that adheres to its mission and values.		
	V.2.3	Organization management systems and structures are flexible and adaptive to program scale and changes in strategic direction.		
	V.2.4	Senior management actively promotes leadership development and the advancement of new leaders within the organization.		

COMPONENT		CAPACITY AREA	LEVEL OF ACHIEVEMENT	LEVEL OF PRIORITY
2. Organizational sustainability (continued)	V.2.5	There is a culture of and written guidelines for accountability and transparency, with repercussions if they are violated.		
	V.2.6	Organization monitors the effectiveness of its partnerships with other organizations as documented through reports.		
3. Financial and resource sustainability	V.3.1	Organization ensures that its operations are cost effective and competitive with similar organizations.		
	V.3.2	Organization’s cash flow is consistently adequate to meet operational requirements.		
	V.3.3	Organization manages its assets to control costs and, as appropriate, to maximize income for financial viability.		
	V.3.4	Organization uses natural resources sustainably.		
	V.3.5	Organization generates credible proposals and concepts and demonstrates the cost effectiveness of its projects.		
	V.3.6	Organization is supported by a diversified resource base without overdependence on a single funding source.		
	V.3.7	Organization has identified local resources to supplement funding from foreign donors.		
	V.3.8	Organization has strategies and mechanisms consistent with its core program areas which are efficient for generating sustainable income for a portion of its operating costs.		
	V.3.9	Organization’s fundraising strategy is linked to the strategic plan with a goal of ensuring continuity of core programs.		
	V.3.10	Organization’s fundraising process is integrated with financial administration system and is monitored and adjusted on an ongoing basis.		
	V.3.11	Organization has qualified staff and systems in place to access, manage and account for resources from diversified donor sources.		
	V.3.12	Organization fundraising costs, as a percentage of program costs, are competitive with similar organizations.		
	V.3.13	Organization ensures that its operating and service delivery costs are cost effective and competitive with similar organizations.		
	V.3.14	Organization’s cash flow is consistently adequate to meet operational requirements.		

COMPONENT		CAPACITY AREA	LEVEL OF ACHIEVEMENT	LEVEL OF PRIORITY
3. Financial and resource sustainability (continued)	V.3.15	Organization manages its assets to control costs and, as appropriate, to generate income for financial viability.		
	V.3.16	Organization has a clear policy for the use of its land and assets that provides for economic gain for the organization on targeted population.		
	V.3.17	Assets are free from conflicts and litigation.		
4. Political Sustainability	V.4.1	Organization is professionally credible in its core program areas and has established legitimacy with communities and stakeholders.		
	V.4.2	Organization is able to mobilize internal and external support for its programs.		
	V.4.3	Organization contributes to the development, environment, growth, and effectiveness of the civil society sector.		
	V.4.4	Organization's partnership with government and policy makers, through participation in working groups and other structures, informs the policies and guidelines in which its programs operate.		
	V.4.5	Organization uses its values and perspective on human development to influence the priorities and guidelines of international organizations and donors.		
	V.4.6	Organization has fostered a loyal constituency within the community and has a respected public image.		
	V.4.7	Organization assists communities to develop representational and advocacy skills to enhance linkages with public and private institutions.		
	V.4.8	Organization has capacity to produce local evidence of the needs and the effectiveness of its programs and to communicate these to government, donors, other stakeholders and the public.		

VI. ORGANIZATIONAL LEARNING

Organizational learning is a process whereby an organization captures, retains, and applies the knowledge and learning of individuals within the organization. Individual knowledge and collective experience are brought together to improve the organization's performance. As much knowledge as possible is captured (written down or recorded in another medium), shared, and retained for future use. Processes for collaboration through knowledge communities aids the creation and sharing of knowledge.

COMPONENT		CAPACITY AREA	LEVEL OF ACHIEVEMENT	LEVEL OF PRIORITY
1. Organizational learning strategy	VI.1.1	Organization has a learning strategy outlining how the knowledge that is essential for making decisions and meeting priorities will be built, maintained, and applied.		
	VI.1.2	Managers communicate a priority on knowledge sharing and learning in written and/or verbal messages.		
	VI.1.3	Managers allocate human, material, and financial resources to support the organizational learning strategy.		
	VI.1.4	Managers reward and recognize staff that help others, document and share learning, and innovate.		
	VI.1.5	Managers demonstrate how data from monitoring and evaluation and other learning processes are used to make decisions.		
	VI.1.6	Managers actively use sharing processes and tools.		
2. Critical reflection processes	VI.2.1	Staff and leadership reflect upon and analyze experiences and data for decision making relating to management practices and programming.		
	VI.2.2	Staff and leadership regularly reflect upon projects, programs, and strategies before, during, and after their implementation and document lessons learned and best practices.		
	VI.2.3	The organization incorporates lessons learned and best practices into organizational practices and program activities.		
3. Documenting, storing, and sharing knowledge	VI.3.1	Staff actively manage the knowledge base by creating knowledge products, collecting externally-created knowledge products, and keeping products up-to-date.		
	VI.3.2	Documented knowledge is in formats that present information most relevant to the target audiences.		
	VI.3.3	All staff easily access and add to the knowledge base regardless of rank or responsibility.		
	VI.3.4	Storing and sharing technologies appropriate to location, resources, and users' capacities are in place.		
	VI.3.5	Knowledge is shared externally with peer organizations, donors, and participants so that they can utilize the knowledge of the organization to improve their practices.		

COMPONENT		CAPACITY AREA	LEVEL OF ACHIEVEMENT	LEVEL OF PRIORITY
4. Communities of practice	VI.4.1	The organization has in place processes and tools to help staff connect with each other to request and provide assistance.		
	VI.4.2	Staff share and collaborate within communities of practice to exchange information, discuss challenges, develop best practices, and innovations.		
	VI.4.3	Staff applies knowledge acquired from communities of practice.		
	VI.4.4	Organization actively participates in networks of peer organizations to jointly develop sector-wide best practices.		

VII. HUMAN RESOURCE MANAGEMENT

Human resource management is the organizational function that deals with issues related to people such as compensation, hiring, performance management, safety, wellness, benefits, employee motivation, communication, administration, training, and spirituality. Human resource management applies a coherent approach to the management of an organization's most valued assets: the people who individually and collectively contribute to the achievement of the organization's objectives. The people in the organization must have the skills, motivation, and opportunity to make the best contribution to the organization that they are capable of and which it requires. They also need to be organized and to relate to each other in ways that are most conducive to productive outcomes.

COMPONENT		CAPACITY AREA	LEVEL OF ACHIEVEMENT	LEVEL OF PRIORITY
1. Human Resource Capacity	VII.1.1	Organization has adequate number and quality of staff to successfully complete tasks and programs and achieve the organization's mission.		
	VII.1.2	Organization is able to attract and retain qualified staff to achieve its goals.		
	VII.1.3	Organization staffing patterns includes a fair representation of the identity groups of the people it serves and the communities in which the organization works.		
	VII.1.4	Organization attends to the particular issues of women and other marginalized groups in its policies and practices.		
	VII.1.5	Staff is fully committed to the organization's mission.		
	VII.1.6	Staff feels the organization provides a safe and healthy work environment.		
	VII.1.7	Organization has the human resources capacity to create innovative and effective programs that meet recipient needs.		
2. Human Resource Management Systems	VII.2.1	The human resource management team is led by a qualified and experienced person.		
	VII.2.2	Organization dedicates qualified staff to manage each of its major operational units.		
	VII.2.3	Human resource policies and procedures reflect the organization's values and principles.		
	VII.2.4	Human resource policies and procedures are documented and accessible to staff.		
	VII.2.5	Human resource policies and procedures are based on local labor law and contain specific sections to protect the rights of all individuals, including sexual harassment, nepotism, and conflict of interest.		
	VII.2.6	Human resource policies and procedures are applied fairly and consistently.		
	VII.2.7	The organization's policies and procedures are regularly monitored and modified, as necessary, with input from the staff.		

COMPONENT		CAPACITY AREA	LEVEL OF ACHIEVEMENT	LEVEL OF PRIORITY
3. Recruitment and Staffing	VII.3.1	Accurate and up-to-date job descriptions exist for each staff and volunteer position based on the mission of the organization and the requirements of the position.		
	VII.3.2	The recruitment process is documented, transparent, and competitive.		
	VII.3.3	Selection criteria for staff and volunteers correspond with the requirements of the position and the needs of the organization.		
	VII.3.4	Organization provides each new staff member with an orientation on its guiding principles, values, and programs.		
	VII.3.5	Confidential personnel files are kept for each staff member with documentation of offer letters, salary increases, promotions, etc.		
	VII.3.6	Every employee has access to his or her own personnel file based on local labor laws or accepted practice.		
	VII.3.7	The organization provides staff with adequate resources to do their work.		
	VII.3.8	Job descriptions are discussed between the employee and the supervisor and modified as needed according to a defined procedure.		
4. Compensation and Benefits	VII.4.1	The organization has a procedure in place to determine salary scale and for periodic reviews of the scale.		
	VII.4.2	Salaries and benefits are based on the organization's mission and principles, and aim to be competitive with similar organizations in the country or region.		
	VII.4.3	The compensation and benefits package is consistent with provisions of national labor law.		
5. Performance Management Systems	VII.5.1	Staff works with supervisors to set their own work plans and believes the plans adequately represent their responsibilities.		
	VII.5.2	Work performance goals are challenging and provide opportunity for staff to demonstrate initiative and creativity.		
	VII.5.3	A documented and functional system guides regular and systematic performance feedback, mentoring sessions, and annual appraisals for staff and volunteers.		
	VII.5.4	A documented, functional, and regularly updated system guides recognition and reward of staff and volunteers, including promotions and other rewards.		
6 Staff Development	VII.6.1	All employees feel they have a fair opportunity for promotion.		

COMPONENT		CAPACITY AREA	LEVEL OF ACHIEVEMENT	LEVEL OF PRIORITY
	VII.6.2	Opportunities for promotion are advertised and clearly identify the work and skills required.		
	VII.6.3	Organization has a documented system to promote the development of each staff member and mechanisms to follow up on use of new capacities.		
	VII.6.4	Staff has a development plan that is tied to achieving individual performance and the organization's objectives.		
	VII.6.5	Staff development objectives include opportunities for promotion, on-the-job learning, mentoring, and guidance from fellow workers and trainings.		
	VII.6.6	Career path options and internal and external opportunities to upgrade skills are made available to all staff.		
	VII.6.7	Organization has a budget for staff development and training.		
7. Resolving Grievances and Managing Conflict	VII.7.1	Management welcomes input from a wide variety of staff into discussions and decisions.		
	VII.7.2	Organization uses a documented grievance and conflict resolution procedure that is easily available to staff and volunteers.		
	VII.7.3	The grievance and conflict resolution procedure assures reasonable confidentiality to those involved and staff and volunteers feel secure to use it.		

VIII. FINANCIAL & PHYSICAL RESOURCE MANAGEMENT

Financial resources, for the purpose of this document, consist of an organization's tangible assets. Assets are the properties owned by a company or organization. Any physical thing owned that has a monetary value is an asset. All organizations have the responsibility to exercise good stewardship of the resources with which their donors have entrusted them. Good stewardship entails accomplishing programmatic objectives in a cost efficient manner, ensuring that there are effective internal control systems to protect assets from theft or misuse, and maximizing the benefits derived from use of those assets.

COMPONENT		CAPACITY AREA	LEVEL OF ACHIEVEMENT	LEVEL OF PRIORITY
1. Financial Personnel	VIII.1.1	The organization dedicates a sufficient number of staff to perform its finance function with a designated head that has relevant experience and the educational qualifications necessary to perform that role.		
	VIII.1.2	The head of the finance function takes part in all decisions affecting finance staff changes.		
2. Financial Systems	VIII.2.1	The organization maintains a formal general ledger with double-entry bookkeeping.		
	VIII.2.2	All financial transactions are recorded in the general ledger, for which one employee has the primary responsibility.		
	VIII.2.3	Accounting cycles and periods are defined and closing procedures are followed.		
	VIII.2.4	The organization has a chart of accounts that separately identifies all assets, liabilities, revenues, and expenses.		
	VIII.2.5	The general ledger or a subsidiary ledger categorizes all expenses by project, activity, or department.		
	VIII.2.6	The general ledger, whether manual or computerized, is secured to maintain the integrity of the data.		
3. Documentation and Record keeping	VIII.3.1	Standard entry forms are used for recording cash receipts, cash disbursements, and journal entries in the general ledger.		
	VIII.3.2	All documents, including original invoices and approvals, that support the accounting entries are kept on file as required by local law or the requirements of the grant, whichever is longer.		
	VIII.3.3	Standardized time records are used to capture all time charges.		
4. Internal Control	VIII.4.1	The organization has formal processes for requisitioning, authorizing, purchasing, and receiving goods and services and requires standardized documentation as support for those activities.		

COMPONENT		CAPACITY AREA	LEVEL OF ACHIEVEMENT	LEVEL OF PRIORITY
4. Internal Control (continued)	VIII.4.2	Multiple bids are obtained and documented for purchases above a stated level.		
	VIII.4.3	The organization has formal processes for recording cash receipts and disbursements and requires standardized documentation for those transactions.		
	VIII.4.4	All cash and financial instruments are physically safeguarded at all times.		
	VIII.4.5	The organization uses an expenditure authorization chart that shows the approval levels for all commitments and disbursements.		
	VIII.4.6	Signatories are designated for each bank account, signature cards are kept on file, and all bank accounts are held in the organization's name.		
	VIII.4.7	The organization strives for segregation of duties or has additional controls in place when that goal is not achievable.		
	VIII.4.8	The organization complies with all external audit requirements and results of audits are made available to all concerned parties.		
	VIII.4.9	Organizational management takes prompt and appropriate corrective action when fraud has been detected.		
	VIII.4.10	A monthly bank reconciliation is prepared by an employee who does not receive or disburse cash and is approved by a senior manager.		
5. Financial Reporting	VIII.5.1	The general ledger is used as the basis of all financial reporting. Regular internal and external financial reporting is made available to management, donors, and other interested parties using required formats and in accordance with established deadlines.		
	VIII.5.2	Finance and the respective budget managers are required to investigate and report to management on significant variances or unusual balances noted during reviews of actual results versus budget.		
	VIII.5.3	Management responds to reported variances and takes the appropriate action.		
	VIII.5.4	The organization's total cash, investments, and receivables have consistently equaled or exceeded its liabilities during the last three years.		
	VIII.5.5	Balances in all asset and payable accounts are analyzed at least quarterly and the reports are submitted for management review.		

COMPONENT		CAPACITY AREA	LEVEL OF ACHIEVEMENT	LEVEL OF PRIORITY
6. Inventory Management	VIII.6.1	The organization uses a manual or documented process that specifies the storage and recordkeeping requirements for all inventoriable items.		
	VIII.6.2	All goods, including commodities or livestock received or purchased by the organization, are properly maintained and kept in an appropriate, secured storage facility.		
	VIII.6.3	There is a warehouse manager who oversees the recordkeeping, maintenance, and security for goods stored in the warehouse.		
	VIII.6.4	The storage facility is guarded at all times.		
	VIII.6.5	All warehoused goods are independently counted at prescribed intervals and significant differences between counts and inventory records are investigated and reported to management.		
	VIII.6.6	All inventory activity, including incoming/outgoing shipments and inventory count differences, are documented using standard forms and recorded in a warehouse ledger.		
	VIII.6.7	Inventory reporting is submitted to organization management and to donors using prescribed formats and within established deadlines.		
	VIII.6.8	Inventory reporting has an audit trail that enables reviewers to trace all reported inventory activity and balances back to the warehouse ledger and other support documents.		
	VIII.6.9	The storage, shipment, distribution, and reporting of goods donated or funded by donors is performed in compliance with donor requirements, where applicable.		
7. Property, plant, and equipment	VIII.7.1	Organization has a policy that indicates which property acquisitions are to be capitalized, the various asset categories, the approvals needed for acquisitions and disposals, and the estimated useful life for each asset category.		
	VIII.7.2	Plant and equipment, purchased or received as donated property, are charged off to expense using depreciation over their estimated useful lives.		
	VIII.7.3	Organization's plant and equipment are secured at all times.		
	VIII.7.4	Organization maintains records to support its property, plant, and equipment acquisitions and disposals.		

COMPONENT		CAPACITY AREA	LEVEL OF ACHIEVEMENT	LEVEL OF PRIORITY
7. Property, plant, and equipment (continued)	VIII.7.5	Plant and equipment assets are independently counted at prescribed intervals. Results of the counts are recorded, summarized, and reconciled to the fixed asset records. Count differences are investigated and brought to the attention of management.		
	VIII.7.6	The purchase, use, storage, and disposal of equipment donated or funded by donors is performed in compliance with donor requirements, where applicable.		
8. Receivables Management	VIII.8.1	All amounts advanced to other organizations, vendors, or employees are accounted for as open receivables in the organization's general ledger.		
	VIII.8.2	Organization follows a documented policy that states when each type of receivable or advance is due.		
	VIII.8.3	Management takes prompt action to collect or resolve open receivable balances.		
	VIII.8.4	Schedules that show the amounts due from each party and the dates when the amounts were advanced are prepared at least quarterly, reconciled to the general ledger, and submitted for management review.		
9. Budgeting	VIII.9.1	All managers participate in a budgeting process that is an integral part of the operational plan.		
	VIII.9.2	The annual budget shows both projected revenues and expenses and is approved by the Chief Executive or board.		
	VIII.9.3	Budgets for existing projects and estimates for proposed projects are incorporated into the annual budget and amended when necessary.		
	VIII.9.4	Allocations in the budgeting process closely reflect organizational priorities.		
	VIII.9.5	If multiple donors fund a single project, the funding and related expenditures are separately identified by donor in the accounting records.		
	VIII.9.6	There are systems to control budgetary spending.		

IX. PROGRAMMING, SERVICES AND RESULTS

This section comprises the programs, services, and products that organizations provide their constituents. These outcomes are the strongest indicators of the success and effectiveness of the organization. Organizations must utilize their resources, including sectoral expertise, to deliver quality services to their constituents. In addition to designing and implementing quality projects and programs, organizations should be able to determine and to measure the impact of those programs. Stakeholder participation in project functions, especially with regard to traditionally under-represented populations, and community participation are emphasized.

COMPONENT		CAPACITY AREA	LEVEL OF ACHIEVEMENT	LEVEL OF PRIORITY
1. Sectoral expertise	IX.1.1	Organization's areas of sectoral expertise support it in achieving its mission.		
	IX.1.2	Organization maintains an adequate staffing base of sectoral experts.		
	IX.1.3	Organization is able to quickly access external, temporary consultants to provide technical services.		
	IX.1.4	Organization is recognized publicly for providing quality products and/or services to its constituents.		
	IX.1.5	Organization collaborates with other civil society actors to design and implement projects with complementary services.		
	IX.1.6	Organization is capable of adapting project and service delivery to the changing needs of constituents.		
2. Project Stakeholder engagement	IX.2.1	Organization has a standardized, participatory process for conducting stakeholder analyses and project staff applies it across all projects.		
	IX.2.2	Primary stakeholders are satisfied with the organization's services, projects, and programs.		
	IX.2.3	Project staff actively engages stakeholders to design, improve, and modify the planning and implementation process.		
	IX.2.4	Organization analyzes and designs projects based on impact to non-beneficiary or stakeholder populations to mitigate conflict.		
	IX.2.5	Organization collaborates with stakeholders to optimize the use of natural resources.		
3. Community participation	IX.3.1	Organization proactively uses community feedback in all phases of project development and management using transparently selected, representative community groups.		
	IX.3.2	Traditionally under-represented community groups derive benefit from project activities.		
	IX.3.3	Projects routinely build on local knowledge and best practices.		

4. Program Development	IX.4.1	Staff uses a specific organizational method for designing and implementing projects.		
	IX.4.2	Staff-designed and implemented projects support the mission, strategy, and principles of the organization.		
	IX.4.3	Organization uses participatory approaches and a sustainability strategy across projects to enhance community ownership.		
	IX.4.4	Organization documents and enforces a standard ensuring that projects do no harm. Communities or populations served are better off than without the intervention.		
	IX.4.5	Projects challenge social structures that limit the full participation, rights, or dignity of marginalized people.		
	IX.4.6	As applicable, the organization provides sound natural resource management in its interventions.		
	IX.4.7	As applicable, the organization supports civil society actors' abilities to advocate for social change in its interventions.		
	IX.4.8	Organization mainstreams gender equity into programming.		
5. Project design and implementation	IX.5.1	Staff develops well-written, logical proposals using donor language.		
	IX.5.2	Staff develops concept notes that provide donor-requested information.		
	IX.5.3	Staff submit responsive, timely proposals (and concept notes as requested) to donors.		
	IX.5.4	Staff develop project objectives that are results (output/impact) oriented rather than input- or activity-driven.		
	IX.5.5	Staff develops proposals, budgets, and budget notes concurrently and has peers review the draft and provide commentary for improvement.		
	IX.5.6	Organization develops output and impact indicators for its projects.		
	IX.5.7	Organization tracks progress against impact indicators.		
6. Monitoring, evaluation and reporting	IX.6.1	Organization has well-designed monitoring and evaluation systems which deliver clear quantitative and qualitative information and analysis on program processes and outcomes in relation to program goals and objectives.		
	IX.6.2	Management systematically monitors, evaluates, and reports on projects.		

COMPONENT		CAPACITY AREA	LEVEL OF ACHIEVEMENT	LEVEL OF PRIORITY
6. Monitoring, evaluation and reporting (continued)	IX.6.3	Organization uses the information gathered from evaluations to develop more sustainable projects.		
	IX.6.4	Organization uses what it learns from mid-term evaluations to revise its project strategy to better achieve project goals and objectives.		
	IX.6.5	Organization measures the impact of its services on both male and female participants.		
	IX.6.6	Project staff conduct continual gap assessments on the ability of existing programs to meet recipient needs and makes adjustments as necessary.		
7. Quality of services	IX.7.1	Organization measures the service quality it provides. Services rendered reach the intended project participants.		
	IX.7.2	Organization collects and uses feedback from project participants on service quality to improve services.		
	IX.7.3	The quality of service delivery helps the organization achieve its strategies and mission.		

X. GENDER EQUALITY INTEGRATION[12]

CRS' Guiding Principles, inspired by Catholic social teaching, compel CRS to promote right relationships among all people by ensuring that men, women, girls and boys have the opportunity, capacity, voice, and support they need to realize their full potential, and to reduce disparities and imbalances including those which exist between males and females. In addition, CRS' vision of Integral Human Development (IHD) highlights the need to transform society's unjust structures and systems, ensuring full participation in social, economic, political and cultural life including the fair balancing of one's rights and responsibilities in relationships in which men, women, boys and girls participate within families, communities and society.

With the recognition that right relations must be promoted both within organizational structures as well as in programming to bring about sustainable and impactful change in the societies and communities where we work, this domain of the HOCAI is comprised of two sub-sections. The first is focused on gender equality in organizational dimensions (Policies and their Application; Staffing, Recruitment, Promotion, and Retention; Work Environment and Leadership), and the second is focused on gender equality in programming dimensions (Program Planning, Design, and Implementation; and Monitoring, Evaluation, and Learning).

When administering Domain 10 with Catholic church partners, observable statements 10.2.2 and 10.2.3 may be difficult to complete given doctrine that reserves certain positions for male clergy. If, after discussion, these statements are found not to apply to a Church partner, they may mark "N/A - Not Applicable.

COMPONENT		CAPACITY AREA	LEVEL OF ACHIEVEMENT	LEVEL OF PRIORITY
1.Organizational Dimensions: Policies and their Application	X.1..1	The organization follows a documented gender equality policy or strategy.		
	X.1.2	The organization follows a documented equal opportunity policy.		
	X.1.3	The organization has flexible work arrangements available (e.g. working from home/ telecommuting, alternate work hours, etc.).		
	X.1.4	The organization follows a documented maternity leave policy.		
	X.1.5	The organization follows a documented parental leave policy.		
	X.1.6	The organization follows a documented policy to accommodate staff to care for their children and other dependents.		
	X.1.7	The organization follows a documented policy on the prevention and punishment of harassment, including sexual harassment.		
	X.1.8	All staff are briefed on the above policies as part of an on-boarding/ new hire procedure.		

12 If the partner being interviewed finds the terminology "gender equality" to be so controversial that it prevents continuation of the use of this domain, staff may name this tool "Promoting right relationships among men, women, boys and girls" instead.

COMPONENT		CAPACITY AREA	LEVEL OF ACHIEVEMENT	LEVEL OF PRIORITY
2. Organizational Dimensions: Staffing, Recruitment, Promotion, and Retention	X.2.1	The organization's staff is made up of an equal ratio of women to men.		
	X.2.2	Women and men are equally represented among the organization's senior management team.		
	X.2.3	The organization has proactive strategies to improve its gender staffing ratio, including at senior management levels.		
	X.2.4	Recruitment processes screen candidates for their gender sensitivity (gender-related questions are included in job interviews to understand candidates' gender-related attitudes and experience) and make hiring decisions accordingly.		
	X.2.5	Male and female staff – both operations and programming – have been trained in gender equality.		
	X.2.6	In the past 5 years, the organization has conducted a pay equity analysis to examine any disparities between male and female staff salaries, and made any necessary adjustments as a result.		
	X.2.7	There are staff (e.g. Gender Advisors – with gender responsibility in their job title, or Gender Focal Points – with gender responsibility in their performance development plans) who are assigned formal responsibility for integrating and/or championing gender integration and equality.		
3.Organizational Dimensions: Work Environment and Leadership	X.3.1	The organization's facilities are amenable for both male and female staff (e.g. separate bathrooms and prayer spaces, designated nursing room, etc.)		
	X.3.2	Male and female staff participate equally in the organization's meetings and decision-making processes.		
	X.3.3	Male and female staff receive and avail opportunities for training and professional development equitably.		
	X.3.4	The organization's leadership/ senior managers respect diverse working styles, including the way males tend to work as well as the way females tend to work.		
	X.3.5	The organization's leadership/ senior managers take gender equality-related questions and challenges seriously and discuss them openly.		
	X.3.6	The organization's leadership/ senior managers promote and model gender sensitive behavior, including language used and appropriateness of jokes and comments among staff.		

COMPONENT		CAPACITY AREA	LEVEL OF ACHIEVEMENT	LEVEL OF PRIORITY
4. Programming Dimensions: Program Planning, Design, and Implementation	X.4.1	Gender analyses are systematically conducted as a part of project design, including an examination of gender roles and responsibilities; disparities in access to and control over resources; and gendered roles in decision making processes.		
	X.4.2	Projects address gender disparities in roles and responsibilities, time, control over resources, decision making power, and inequitable socio-cultural norms, and benefit women, men, girls and boys equitably.		
	X.4.3	Project design and implementation includes mitigating measures against negative unintended consequences, including gender-based violence and increasing women's and girls' workloads.		
	X.4.4	All projects have budgeted activities specifically for gender (e.g. gender analysis, gender-related social behavior change activities, gender training, leadership and negotiation skills for women, time and labor saving technologies, etc.)		
5. Programming Dimensions: Monitoring, Evaluation, and Learning	X.5.1	All data that is collected for projects is disaggregated by sex and age during collection, analysis, and reporting.		
	X.5.2	The project's M&E system includes gender sensitive indicators to monitor change in gender disparities, including roles and responsibilities, time, access to and control over resources, decision-making power, and monitor for unintended consequences.		
	X.5.3	The impact of projects on gender equality and relations is evaluated (e.g. the extent to which project interventions have positively impacted gender equality outcomes, changes in decision making power, identified any unintended consequences, etc.).		
	X.5.4	Gender-related lessons learned and good practices are systematically gathered, documented, and shared during and after program implementation.		

GLOSSARY

Identity and Governance

Mission

The overriding purpose of an organization in line with the values or the expectations of stakeholders.

Vision

The desired future state; the aspiration of the organization. The attention and focus of members of the organization should be drawn to the vision.

Constituents

Individuals, groups, and institutions forming the organization's universe and important in influencing the organization's development.

Constitution/Statute

The set of principles and regulations by which an organization is governed, especially as to the rights of the stakeholders it interacts with or governs.

Values

Ideals to which people in an organization aspire.

Governance

Combination of processes and structures implemented by the board in order to inform, direct, manage and monitor the activities of the organization toward the achievement of its objectives.[12]

Strategy and Planning

Strategic plan

A multi-year document used by an organization to fulfill its mission and to align its organization and budget structure with organizational priorities and objectives. A strategic plan addresses four questions: Where are we now? Where do we want to be? How do we get there? How do we measure our progress?

Operational plan

A subset of a strategic plan that describes short-term ways in which the strategic plan will be implemented, usually during an annual period. An operational plan is the basis and justification for an annual operating budget. Operational plans usually contain objectives, activities, performance standards, desired outcomes, staffing and resource requirements, implementation timetables, and a process for monitoring progress.

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12 Institute of Internal Auditors. (2011). *The Role of Internal Auditing in Governance, Risk and Compliance*.

Exit strategy

A plan describing how a program intends to withdraw all or part of its resources while assuring that the achievement of the program's goals is not jeopardized and that progress towards these goals continues.

General Management

Compliance

Within statutory limits and court interpretations, acts by an employer to bring practices into line with state, federal and local regulations.

Compliance requirements

A list of things that are demanded of an organization as a stipulation of being awarded a federal grant.

Risk management

A general term describing the process of analyzing risk in all aspects of management and operations and the development of strategies to reduce the exposure to such risks.

Contingency plan

A plan devised for a specific situation in which things could go wrong. Contingency plans are often devised by organizations who want to be prepared for anything that could happen. Sometimes known as *back-up plans*, *worst-case scenario plans*, or *Plan B*.

External Relations and Partnerships

Advocacy

The act or process of advocating; support

Coalition

A group of organizations that share different resources and agree to work towards an agenda or strengthen a specific mission by working together over a specified period of time.

Network

A group of individuals or organizations who come together based on clearly identified commonalities to exchange information and/or undertake joint activities.

Alliance

An association to further the members' common interests.

Partners

Organizations that are in a relationship of mutual commitment built upon a shared vision and spirit of solidarity.

Sustainability

Organizational sustainability

The ability to continually manage external and internal forces in a manner that preserves and/or recreates the main organizational structures needed to achieve the organization's mission.

Financial and resource sustainability

The ability to continually manage changes to the inflow of resources and financial management systems in a manner that preserves and/or recreates the main organizational systems and ability to program activities

Programmatic sustainability

The ability to continually manage changes to programming in a manner that preserves and/or recreates the systems and structures needed for the ability to program activities.

Political sustainability

The ability to continually manage changes to public image, functional networks, professional credibility, and legitimacy with constituency and stakeholders in a manner that preserves and/or maintains the ability to achieve the organization's mission.

Organizational Learning

Best practice

A technique, methodology, process or activity proven to be the most efficient and effective way to reliably achieve a desired result.

Community of practice

A group of people who learn together around a common professional interest by sharing information and experiences, solving problems, and developing innovative or best practices. Also known as *a knowledge community*.

Critical reflection process

A method of reflection and analysis that transforms information and experience into useful knowledge. Lessons learned can then be the basis for operational and programmatic decisions. Examples include periodic project reviews, partnership reflections, after action reviews and mid-term and final evaluations.

Knowledge product

Written or other form of documentation that contains information used for sharing and learning. Examples include case studies, learning papers, training manuals, and audio-visual reports.

Knowledge base

An organization's continually evolving collection of documented knowledge that is critical to carry out its functions. A knowledge base is founded on experience and expertise and should be readily accessible to all personnel and organized in a manner that is meaningful to them.

Learning processes

The practice through which an individual, group, or organization gains knowledge. Examples include monitoring, evaluations, assessments, and after action reviews.

Sharing processes and tools

Mechanisms that aid a group of people in exchanging information, skills or expertise. Examples of sharing processes include critical reflection, peer assists, mentoring, and learning visits. Examples of sharing tools include technologies such as email and electronic mailing lists, digital recording software, interactive websites and blogs. See also: *Storing and sharing technologies*.

Storing and sharing technologies

Devices that provide storage of and access to recorded information and knowledge. Examples include shared drives, the internet (websites), intranets, databases, cell phones, electronic audio and visual recordings, and electronic or hard copy document libraries.

Human Resource Management

Personnel

The aspect of human resource management that is concerned with staffing, orientation and well being (emotional and physical) of the employees of an organization.

Human resource policies and procedures manual

Document which sets out policies and procedures related to the management of personnel issues in an organization.

Policy

Formal institution and documentation of commonsense and courtesy guidelines by the management or stakeholders of an organization. It sets clear boundaries for employee/employer concerning a variety of issues that may arise within the context of the work environment.

Compensation

Additional incentives beyond salary and wages, which an organization provides to attract and retain quality employees. Compensation packages usually vary from organization to organization or even from one industry to another and could include insurance coverage (health, life, accident), extended leave, retirement or pension plans, educational support, etc.

Nepotism

Practice whereby a person in a position of authority shows preference to those related to him/her by blood, marriage or any other filial connection regardless of skill level, ability, suitability or any other objective criteria, especially with regard to hiring, benefits administration, discipline or promotion of staff in an organization.

Identity groups

The different social or cultural sub-groups that exist in an organization's geographical environment or context. Such groupings may be based on race, religion, gender, citizenship, class, caste etc.

Financial and Physical Resource Management

Asset

Any owned property that has a monetary or exchange value.

Capitalized

Property acquisitions that are recorded as assets since they have long-term (more than one year) value and use.

Cash instruments

For the purpose of this tool, this term refers to paper currency, checks, wire authorization documents, coins, and written orders or promises to pay that are payable to the bearer.

Double-entry bookkeeping

The use of balancing debits and credits to record each financial transaction. Debits and credits are used as follows:

CLASSIFICATION	DEBIT	CREDIT
Asset	Increase	Decrease
Liability	Decrease	Increase
Revenue	Decrease	Increase
Expense	Increase	Decrease
Net Assets (Net Worth)	Decrease	Increase

Financial instruments

written orders or promises to pay sums of money.

General ledger

The book of final entry for recording an entity's financial transactions.

Insurable risk

Risk for which a dollar amount of exposure to potential damages or loss can be logically estimated and for which protection against that possible occurrence can be obtained at a reasonable cost to the organization.

Internal control

The process, affected by an entity's board of directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

Effectiveness and efficiency of operations

Reliability of financial reporting

Compliance with applicable laws and regulations

Inventory

Nondurable, tangible goods or livestock held for consumption in the normal course of business, for distribution to program participants, or for resale.

Property, plant and equipment

An entity's durable, tangible property that has long-term benefit. Also known as *fixed assets*. (For CRS, fixed assets are those assets that have useful lives of three years or more and that cost US $5,000 or greater.)

Receivables

Amounts due from other parties.

Programming, Services and Results

Do no harm

A contextual analysis framework developed by Mary Anderson of Collaborative for Development Action (CDA), Inc. The framework is used to ensure projects do not unintentionally harm program participants or constituent groups.

Sectoral

Refers to a programmatic area of work. A sector is a programming area, such as peace building, water and sanitation, or education.

Output

An output is the result of a specific activity. A training activity will achieve an output of 200 persons trained in a new piece of knowledge. CRS defines output as "the goods, services, knowledge, skills, attitudes, enabling environment or policy improvements that not only are delivered by the project (as a result of the activities undertaken), but also are demonstrably and effectively received by the intended program participants and participants."

Impact

A measure of a project's lasting change on a constituent group. This measure does not track whether a specific activity has been accomplished. Rather, it measures whether a completed activity resulted in a lasting change.

Advocate

A group's ability to speak out for, support or recommend a course of action in a public forum.

Gender mainstreaming

A globally accepted strategy for promoting gender equality. Mainstreaming involves ensuring that gender perspectives and attention to the goal of gender equality are central to all activities, including advocacy/dialogue, program planning, implementation and monitoring and evaluation.

Project

A set of planned, interrelated actions that achieve defined objectives within a given budget and a specified period of time.

Program

A system of services, opportunities or projects designed to meet a social need.

Stakeholders

Individuals, groups and institutions important to, or with influence over, the success of the project.

Stakeholder analysis

An analysis of the needs of key stakeholders in the design and implementation of the project. It helps think carefully about who is important to the project and their level of interest or influence.

Project participant

A person who participates in a project. This person can be a project beneficiary who receives services and/or uses products developed through the project, such as a child who receives a hot meal at school for attendance. Likewise, a project participant can be someone who is involved in the project but does not receive a direct benefit, such as teachers involved in monitoring student attendance in a food-assisted education project.

Human development

Refers to the biological, psychological, and economic process of becoming Mature. It also refers to the quality of life or standard of living of a given group or population.

Beneficiary

A person who receives a direct benefit by participating in a project.

Gender Equality Integration

Access and Control

Access is defined as the opportunity to make use of a resource. Control is the power to decide how a resource is used, and who has access to it. Understanding who has access and control of resources can
help to identify opportunities that make use of a resource for a larger gain. It indicates whether women or men have access to resources, who controls their use, and who controls the benefits of a household's (or a community's) use of resources. Access simply means that you are able to use a resource, but this says nothing about whether you have control over it. For example, women may have some access to local political processes but little influence or control over which issues are discussed and the final decisions. The person who controls a resource is the one ultimately able to make decisions about its use. Women often have access but no control.
(CRS Global Gender Strategy citing Just Associates, "Access to and Control of Resources" presentation at the Association for Women's Rights and Development International Forum, Istanbul, Turkey, April 19–22, 2012).

Gender

Refers to the two sexes, male and female, within the context of society. Factors such as ethnicity, class, race, age and religion can affect gender roles. Gender roles may vary widely within and between cultures, and often evolve over time.18 These characteristics often define identities, status, and power relations among the members of a society or culture. Someone's sex, on the other hand, refers to the biological identity of males and females, as manifested primarily by our physical characteristics.
(CRS Global Gender Strategy)

Gender-based violence (GBV)

Violence that is directed against a person on the basis of gender or sex in both public and/or private life. It includes acts that inflict physical, mental or sexual harm or suffering, threats of such acts, coercion, and other deprivations of liberty. While women and men, boys and girls can be victims of gender-based violence, women and girls are the main victims.

(CRS Global Gender Strategy)

Gender analysis

Examines the differences in women's and men's lives, including those which lead to social and economic inequality for women. It is a tool for systematically collecting data that can be used to examine these differences, the different levels of power they hold, their differing needs, constraints and opportunities, and the impact of these differences on their lives. This understanding is then applied to program and policy development and social services in order to address inequalities and power differences between males and females.

(CRS Global Gender Strategy)

Gender blind

Policies and programs that ignore gender considerations altogether. Designed without prior analysis of the culturally-defined set of economic, social, and political roles; responsibilities; rights; entitlements; obligations; and power relations associated with being female and male; and the dynamics between and among men and women, boys and girls.

(IGWG, accessed January 10, 2018 at https://www.igwg.org/training/programmatic-guidance/)

Gender disparities

Gaps between males and females that exist in households, communities, and countries. Differences in the status of women and men and their differential access to assets, resources, opportunities, and services.

(Adapted from USAID ADS 205 gender analysis description.)

Gender equality

Reflects the concern that women and men, boys and girls have equal opportunities, resources, rights, and access to goods and services that a society values—as well as the ability to make choices and work in partnership. Gender equality also means equal responsibility in terms of workloads and energy expended within one's individual capacity to care for families and communities. Gender equality does not mean that men and women, boys and girls become the same, but that their opportunities and life chances are equal and that the differences that do exist in their talents, skills, interests, ideas, etc. will be equally valued.

(CRS Global Gender Strategy)

Gender integration

Involves identifying and then addressing the gender differences and inequalities across all program and project design, implementation, monitoring and evaluation. Since roles and relationships of power between men and women affect how an activity is implemented, it is essential that project and activity planners address these issues throughout the life of a program or project. USAID uses the term "gender integration" in both development and humanitarian planning and programming.

(CRS Global Gender Strategy citing USAID, Guide to Gender Integration and Analysis: Additional Help for ADS Chapters 201 and 203. Washington, DC: USAID, 2010).

Gender mainstreaming

Is a strategy for promoting and achieving gender equality. It involves making women's as well as men's concerns, needs and experiences an integral part of ensuring that gender perspectives and attention to the goal of gender equality are central to all activities such as policy development, research, advocacy/dialogue, legislation, resource allocation, and planning, implementation and monitoring of programs and projects. It is not an end in itself, but a strategy and approach used as a means to achieve the goal of gender equality.

(CRS Global Gender Strategy citing "Concepts and definitions." UN Women: United Nations Entity for Gender Equality and the Empowerment of Women. Accessed May 25, 2013. http://www.un.org/womenwatch/osagi/conceptsandefinitions.htm.)

Gender relations

Concerned with how power is distributed between women and men, girls and boys. Gender relations are simultaneous relations of cooperation, connection, mutual support, and of conflict, separation, and competition, of difference and inequality. They create and reproduce systemic differences. They define the way in which responsibilities and workloads are allocated and the way in which each is given a value. Gender relations vary according to time and place, and between different groups of people. They also vary according to other social relations such as class, race, ethnicity, and disability.

(CRS Global Gender Strategy)

Gender roles and responsibilities

Identification of roles and responsibilities that are assigned to men and women based on socio-cultural (gender) norms, including productive (i.e. income earning) activities and reproductive (non-income earning) activities. In many societies, for example, a gendered role of women is to take care of children, cook and clean for the family, while a gendered role of men is to earn income for the family's cash needs.

(Adapted from USAID's ADS 205)

Gender sensitive

Gender-sensitive programs recognize the specific needs and realities of women and men, boys and girls based on the social construction of gender roles and respond to them accordingly. This level of awareness may be informed by a sound gender analysis that has looked at the specific assets of men and women and assessed how to accommodate their different roles and needs.

(CRS Global Gender Strategy)

Pay equity analysis

A pay equity analysis is a way of understanding whether pay (salaries) at an organization is influenced by factors you want (e.g., type of job, location) or those you don't want (e.g., gender, race/ethnicity). This type of analysis can help reveal trends across groups as well as individual outliers. For example, grouping positions by type and by sex should reveal whether men and women are earning similar salaries for similar work.

(Adapted from Society for Human Resource Management, accessed January 10, 2018 at https://www.shrm.org/ResourcesAndTools/hr-topics/compensation/Pages/PayEquityStudy.aspx)

Sexual harassment

Unwelcome sexual advances, requests for sexual favors, and other verbal or physical conduct of a sexual nature constitute sexual harassment when this conduct explicitly or implicitly affects an individual's employment, unreasonably interferes with an individual's work performance, or creates an intimidating, hostile, or offensive work environment. Harassment does not have to be of a sexual nature, and can include offensive remarks about a person's sex.

(CRS HQ/HR Sexual Harassment in the Workplace Guidance, April 2017)

Time and labor saving strategies/ technologies

Technologies, strategies, practices, and techniques that could help address time and labor constraints, especially women's, who often work longer days than men. They can include improved stoves, rainwater harvesting schemes and intermediate transport devices that can reduce the time women spend on domestic chores such as collection of fuel wood and water; improved hoes, planters and grinding mills that can increase the productivity of their farming tasks; improved techniques such as conservation agriculture that can reduce the time needed for labor-intensive tasks such as weeding; and cassava graters, oil-seed presses and other food processing equipment that can help them earn more income in less time and/ or with less effort.

(IFAD Lightening the Load 2010)

APPENDIX 1

EXAMPLE OF TERMS OF REFERENCE OUTLINE[13]

Organizational Profile (mandate, history, operational framework, targeted program participants, funding, achieved results)

Broad Considerations (global, regional, national context, developments impacting external environment)

Reasons for organization to conduct organizational capacity assessment (objectives of the assessment, risk management, learning opportunity, other value-added)

Scope and Focus (broad and specific issues to be assessed)

Participation (mapping of participation by staff, volunteers, board members)

Stakeholder Participation (mapping of participation by program participants, donors, partners, other stakeholders)

Accountabilities and Responsibilities (delineating between roles of organization management team and assessment team)

Organizational Capacity Assessment Process (broad indication of how assessment is to be carried out, work plan)

Report Requirements (outline of the report)

Deliverables (timeframes for work plan and report delivery, on-going process reporting)

Assessment team qualifications (experience, expertise, language skills)

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13 Source: Canadian International Development Agency. (2006). Organization Assessment Guide. Gatineau, Quebec.

APPENDIX 2

ACTION PLAN FORMAT

For each problem statement, compose one objective and then fill in the chart with specific details on how the objective will be achieved.

Problem statement:

Objective:

ACTIVITIES	APPROACH	TIME FRAME	PERSONS RESPONSIBLE	RESOURCES	M&E	CHAMPION

Problem statement: description of the identified organizational weakness

Objectives: should be specific, measurable, achievable, relevant, and timely (SMART); a concise commentary on what the improvement effort and capacity strengthening aims to achieve and how it intends to implement the improvement[14]

Activities: the steps, or specific activities, to be taken to achieve each objective

Approach: the method that will be used in capacity strengthening, such as capacity building, institutional strengthening or accompaniment

Time frame: the length of time and the deadlines for each action

Persons responsible: the individuals or work units responsible for implementing the activities

Resources: human, financial, and material resources needed to achieve each objective

M&E: the monitoring and evaluation indicators for assessing the achievement of each objective

Champion: the leader, or supervisor, who will provide high-level approval and guidance to the improvement effort

14 Catholic Relief Services. (2004). *ProPack I* (page 186). Baltimore, MD: Hahn, S., Sharrock, G., and Stetson, V.

APPENDIX 3

EXAMPLE OF ACTION PLAN MONITORING REPORT FORMAT

Action Plan Review Date:

Participants:

Introduction

(No more than one page, describing the event, its objectives and main results.)

Progress made since last organizational capacity assessment

(Describe progress made against the last action plan in one or more of the nine capacity areas based on the indicators. List obstacles faced and new opportunities.)

Areas that need work

(Describe the needs identified and summarize the discussion points by the capacity areas discussed. Describe new actions to be conducted to move implementation of action plan forward.)

Follow-up

(Describe steps to further institutionalize regular organizational capacity assessment, to integrate action plan into annual implementation plan supporting the strategic plan.)

Attachments

(A copy of last action plan, revised action plan, etc.)

APPENDIX 4

Talking points for Domain X: Gender Equality and the Catholic Church

As stated in the introduction to the Gender Equality Integration Domain, CRS's Guiding Principles, inspired by Catholic Social Teaching, compel CRS to promote right relationships among all people by ensuring that men, women, girls and boys have the opportunity, capacity, voice, and support they need to realize their full potential, and to reduce disparities and imbalances including those which exist between males and females. Despite having based CRS' Global Gender Strategy in Catholic Social Teaching and Integral Human Development, some Catholic Church partners may not share this vision upon introduction to this domain of the HOCAI. To facilitate this shared vision, staff administering the tool may refer to the below compendiums of Catholic Social Teaching and statements from Church clergy.

• Catholic Social Teaching Affirms the Equal Dignity of All Persons: Stripped of distinctions by the mystery of Christ's incarnation and his boundless love, in the light of Faith a man can only look at other men as creatures of equal dignity. The advent of the Emanuel is therefore the one and ultimate foundation of the radical equality and brotherhood among all people, regardless of their race, nation, sex, origin, culture, or class. (Compendium, No. 144)

- Catholic Social Teaching promotes women and girls building on Christ's life:

Together with equality in the recognition of the dignity of each person and of every people there must also be an awareness that it will be possible to safeguard and promote human dignity only if this is done as a community, by the whole of humanity. (Compendium, No. 145)

- In the *Letter to the Bishops of the Catholic Church on the Collaboration of Men and Women in the Church and in the World* in May 2004, Section 14, then Cardinal Joseph Ratzinger called upon the Bishops to recognize: "…if social policies—in the areas of education, work, family, access to services and civic participation—must combat all unjust sexual discrimination, they must also listen to the aspirations and identify the needs of all. The defense and promotion of equal dignity and common personal values must be harmonized with attentive recognition of the difference and reciprocity between the sexes where this is relevant to the realization of one's humanity, whether male or female."

- H.E. Monsignor Celestino Migliore addressed the 61st Session of the General Assembly of the United Nations on the Promotion of Gender Equality and the Empowerment of Women in March 2007. In this address he encouraged the leaders of the world to understand that "equality between women and men and the empowerment of women will be attained when the differences of the sexes are recognized and highlighted and understood in its proper context."

- At the 55th session of UNESCO's Commission on the Status of Women, Archbishop Francis Chullikatt, permanent observer of the Holy See to the United Nations, said, "The Holy See—as well as many women in the world—is convinced that the true advancement of women is strongly linked to the recognition and the effective implementation of their rights, dignity and responsibilities. Women and men are both called to welcome, protect and foster these, for a renewed commitment towards humanity."

- The Final Declaration of the Second Meeting of Bishops in Africa on "Organizing the Service of Charity in Africa: The Role of Bishops" held in Dakar, Senegal September 18 – 20, 2017, called to strengthen the participation of women and make their contributions to the development of our families and communities visible.

- CRS's Global Gender Strategy calls for programs and operations to be gender responsive at a minimum while striving for transformation. More information can be found here in English, French, and Spanish: http://pqpublications.squarespace.com/publications/2015/3/17/crs-global-gender-strategy.html

When administering Domain 10 with Catholic church partners, observable statements 10.2.2 and 10.2.3 may be difficult to complete given doctrine that reserves certain positions for male clergy. If, after discussion, these statements are found not to apply to a Church partner, they may mark "N/A - Not Applicable."

APPENDIX 5

Examples and explanations for Domain X: Gender Equality Integration

10.1. Organizational Dimensions: Policies and their Application

10.1.1 The organization follows a documented gender equality policy or strategy.

Having a documented gender policy or strategy makes the organization's commitment to gender equality manifest to all staff members. An example of a gender equality policy introduction is:

This policy represents the organization's commitment to take a cohesive and coordinated approach to gender equality. The policy defines the organization's explicit intention to support gender equality and the principles expressed in international agreements. The policy includes three core principles and commitments against which all parts of the organization will be held accountable. These are consistent with other organizational and programmatic standards.

The purpose of this policy is to:

- Define and communicate clear commitments and consistent messages within the organization and with others

- Continue to strengthen efforts to promote gender equality in our organization, increasing our integrity and credibility amongst partners and allies as a leader in the gender equality space, in both programming and advocacy

- Establish commitments for our development and humanitarian programming and our organization

- Enable us to work with others building on each other strengths, experience and lessons learned.

10.1.2. The organization follows a documented equal opportunity policy.

The organization has a written policy that ensures equality of opportunity and consistently adheres to it. One example is “Organization provides equal employment opportunities for all skilled employees and jobseekers and does not discriminate based on race, skin color, age, religion, gender, national origin, or disability. Some positions, however, require the employee to be an international or national while other positions require the employee to be an active member and participant in the Catholic Church. This directive covers all of the terms and conditions of employment that include recruitment, training, teaching, orientation, placement, promotions, transfers, job cuts, re-employment, benefits, retirement and termination of employment. As an equal opportunities employer, CRS will recruit, hire, train and promote people based solely on their qualifications and skills.”

10.1.3. The organization has flexible work arrangements available (e.g. working from home/ telecommuting, alternate work hours, etc.).

Having flexible working arrangements allows staff to have better work-life balance and manage their work in a way that can also be amenable for duties in the home. Examples of flexible work arrangements include allowing staff to work from home one day a week, or work from 7:00 a.m. to 3:30 pm in order to pick up children from school. These flexible work arrangements are beneficial for everyone, but can particularly help working mothers who, because of cultural gender norms related to roles and responsibilities, still manage much childcare and other domestic duties even while working outside the home.

An example of a Telecommuting & Home Office Policy states "There may be occasions that arise when it is beneficial for the employee and the Agency if the employee telecommutes. For these infrequent, situational occurrences, exempt (salaried) employees have the option for unscheduled telecommuting if their supervisor agrees. The employee must make the request to their supervisor in advance."

10.1.4. The organization follows a documented maternity leave policy.

Maternity Leave is consistently provided to employees who give birth in order to allow them time to physically recover from childbirth, bond with the infant and, for those who breastfeed, to allow the time to establish a breastfeeding relationship. Maternity leave is a fundamental human right and an indispensable element of comprehensive work–family policies. Maternity leave usually includes a minimum of 6-12 weeks paid at full salary, though some countries and organizations offer much more. The organization's maternity leave policy should adopt its country's national policy at a minimum.

Staff in your organization should be aware of the policy upon hire and take full advantage of the policy without fear of retribution or negative professional consequences.

10.1.5. The organization follows a documented parental leave policy.

It is also important for fathers to take leave following the birth of a child to bond with and care for the infant and support the mother's recuperation. Parental leave should thus include fathers, but may also include time off for foster and adoptive parents upon placement of their child. The organization's parental leave policy should adopt its country's national policy at a minimum.

An example of a parental leave policy is, “Parental Leave is provided to new fathers upon the arrival of their child, foster parents and adoptive parents upon placement of their child. Organization will provide 2 weeks of paid Parental Leave. This leave must be used in the first three months after the arrival of the child.”

Staff in your organization should be aware of the policy upon hire and take full advantage of the policy without fear of retribution or negative professional consequences.

10.1.6. The organization follows a documented policy to accommodate staff to care for their children and other dependents.

Such policies could include provision of personal leave time for employees to use as they see fit for personal business; using employee sick leave time for the care of children or other ill family members; a separate room for nursing mothers to use to feed their infant during workday breaks or to pump breastmilk; a ‘child care’ room, nursey or ‘creche’ for parents to use as a space for childcare during the workday, etc..

These policies are beneficial for everyone but can particularly help working mothers who typically manage more childcare and other domestic duties than fathers, even while working outside the home.

10.1.7. The organization follows a documented policy on the prevention and punishment of harassment, including sexual harassment.

Harassment is a general concept simply meaning that the employee is feeling intimidated, bullied, or humiliated by someone at work. It can include derogatory comments about religion, political beliefs, age, ethnicity or anything that creates undue discomfort.

Sexual Harassment has a much more specific definition and consists of any unwelcome conduct of a sexual nature which is:

- made a condition of employment or promotion (quid pro quo), or
- severe or pervasive enough to affect the person's work

environment. This can include verbal behavior (comments/ jokes), nonverbal behavior (leering/ gestures), unwelcome physical conduct, and or visuals (pictures/ cartoons).

In both cases (harassment and sexual harassment), a hostile environment is generally defined as a pattern of offensive conduct. However, there are occasions, especially with severe incidents, where a single incident may create a hostile environment. Humanitarian and development work is built on fundamental principles that include nondiscrimination, non-coercion, and preservation of human dignity. Harassment and sexual harassment undermines these core values.

Policy should outline commitment to preventing and responding swiftly to incidences of harassment, including sexual harassment, and procedures to follow. Confidential reporting mechanisms should be available that staff are comfortable using. Where relevant these policies should align with the host country at a minimum.

<u>10.1.8. All staff are briefed on the above policies (10.1.1 – 10.1.7) as part of an on-boarding/ new hire procedure.</u>

Ensuring that staff are aware of the benefits available to them and that they feel free to take advantage of such policies is crucial to ensuring a healthy workplace. This is especially important for groups or positions who – because of power dynamics related to their gender or position – may not feel comfortable advocating for themselves and their rights as employees. One CRS Country Program has begun instituting an onboarding process that includes brief presentations on key HR policies related to maternity/paternity leave as well as sexual harassment. This onboarding responsibility sits with the HR unit but hiring managers also work to ensure the onboarding has been completed.

10.2. Organizational Dimensions: Staffing, Recruitment, Promotion, and Retention

<u>10.2.1. The organization's staff is made up of an equal ratio of women to men.</u>

Building diverse teams is vital to creating deeper impact. Diverse teams help us understand the circumstances and needs of beneficiaries from all backgrounds, allowing us to create more targeted and effective programs. The organization's staff make-up should ideally reflect the demographics of the communities we serve, as it impacts our ability to access different community members and have frank discussions. For example, a male field worker might be able to talk to men about their control over family finances, while a female field worker may be needed to talk to women about reproductive health.

An unequal gender staffing ratio could be a sign of discriminatory hiring practices or a work environment that is unfriendly to the underrepresented group, which goes against CRS's values.

<u>10.2.2. Women and men are equally represented among the organization's senior management team.</u>

While organizations' overall gender staffing ratios may be relatively equal, disaggregating data by band, position level or type may show disparities. This is often the case at senior management levels, which can tend to be dominated by men.

CRS's guiding principles, inspired by Catholic social teaching, compel CRS to promote right relationships among all people by ensuring that men and women have the opportunity, capacity, voice, and support they need to participate on an equal basis, to realize their full potential, and to reduce the disparities and imbalances of power including those which exist between men and women. Not only is it important to have women represented equally among staff generally in an organization, it is also important to have them equally represented in senior management team and decision-making structures. This type of representation allows for different perspectives in decision-making, different ways of thinking and can result in more inclusive outcomes and deeper impact.

10.2.3. The organization has proactive strategies to improve its gender staffing ratio, including at senior management levels.

Recognizing that there is disparity in the gender staffing ratio is a first step; outlining a strategy to correct any imbalances is a second step.

Recruiting under-represented staff can be challenging, due to a seemingly lack of qualified underrepresented individuals in the applicant pool. This is often worsened by cultural gender norms that may, for example, limit women's physical mobility and constrain her availability to travel, or restrict women's availability to be present in the office outside of certain hours. While it is true that there are many barriers to having an equitable gender staffing ratio, it is also true that there are many strategies to overcome these barriers. For example, organizations could:

- Plan recruitment in advance to allow for larger applicant pools and post job announcements in locations that are easily accessible to the under-represented group
- Discuss which position qualifications are flexible and which ones are not to open the position to as many candidates as possible
- Build networks and reach out to universities' career centers and occupational clubs or societies with diverse membership
- Examine the policies outlined in section 10.1 to become more "women-friendly"
- Put in place a women's mentorship program to develop women's capacity for senior management positions
- Put in place a training or other capacity building program to develop women's capacity

Building secure, productive and just communities requires an organizational culture that promotes and respects diversity. Addressing sex diversity is not a short-term goal — it is part of a long-term strategy to integrate gender throughout organization's programs and operations.

10.2.4. Recruitment processes screen candidates for their gender sensitivity and make hiring decisions accordingly.

Making sure you hire individuals with values and beliefs that are aligned with your organization's guiding principles and polices is important. Organizations should include gender-related questions during recruitment – in tests, during interviews, etc. – to try to understand whether or not candidates' personal attitudes and experience are aligned with the values of integral human development and right relations. One such question could be related to how one reacts to having a supervisor of the opposite sex, or providing a scenario related to recruiting diverse teams and asking for their comments. [15]

10.2.5. Male and female staff – both operations and programming – have been trained in gender equality.

Systematically budgeting for staff awareness raising and capacity building in gender equality subjects for both programming and operations staff can help foster an organizational culture that is inclusive and understands the importance of promoting right relations in the workplace as well as in the communities we serve. Making sure all staff have been trained in gender equality is an essential first step that would ideally take place soon after hiring.

15 CRS is developing a list of sample gender responsive questions that could be integrated in interviews – please check back for this resource.

10.2.6. In the past 5 years, the organization has conducted a pay equity analysis to examine any disparities between male and female staff salaries and made any necessary adjustments as a result.

An important component of creating diverse teams is developing and keeping talent. One important aspect of this relates to pay. Setting up a structured compensation system should help you avoid pay inequity, however, given ingrained gender attitudes and beliefs that are heavily influenced by culture, pay inequities may still occur inadvertently.

To ensure your pay system is working as intended, you can conduct a pay equity analysis to verify that there are no pay differences between male and female staff in similar positions. The analysis is a way of understanding whether pay at your organization is influenced by factors you want (e.g., type of job, responsibilities) or those you don't want (e.g., gender, race/ethnicity). This type of analysis can help reveal trends across groups as well as outliers and identify areas where salary differences should be addressed.

10.2.7. There are staff who are assigned formal responsibility for integrating and/or championing gender integration and equality.

While gender equality is a cross cutting component that is every staff members' responsibility to promote and integrate, additional expertise and time is typically needed to deliberately further gender equality and integration efforts in organizations.

For this reason, organizations should have staff with gender equality expertise who are assigned formal responsibility for integrating gender in operations and programs, such as a Gender Advisor who has gender responsibility in their job title, or a Gender Focal Point who has gender responsibility outlined in their performance development plan. Each organization should have at least one Gender Advisor on their payroll, which could increase to more than one staff person depending on the size of the organization and number of projects implemented.

10.3. Organizational Dimensions: Work Environment and Leadership

10.3.1. The organization's facilities are amenable for both male and female staff (e.g. separate bathrooms and prayer spaces, designated nursing room, etc.)

It's important to have a workplace that feels safe and is inclusive for all employees. Making sure there are adequate and separate facilities is an important step to doing this, especially in cultures where men and women do not frequently occupy the same physical spaces. Ensuring there are separate bathrooms and prayer spaces that are of equal quality is a good example. Having separate and safe spaces also is a good way to prevent incidences that could enable forms of harassment.

10.3.2. Male and female staff participate equally in the organization's meetings and decision-making processes.

While male and female staff may both be present in relatively equal numbers in meetings or other decision-making processes, that does not automatically mean that their participation is equal or that their contributions are heard equally. This relates to organizational culture, which often dictates who feels comfortable expressing themselves during meetings or who is able to access and participate in decision-making processes. Active participation is one in which both male and female staff express their views and do so without fear of negative consequences. Good leadership works hard to hear perspectives and opinions from underrepresented individuals, encourages participation from all staff in an equitable and inclusive manner, and takes everyone's contributions into account when making decisions.

10.3.3. Male and female staff receive and avail opportunities for training and professional development equitably.

CRS's guiding principles compel CRS to promote right relations among all people by ensuring that men and women have the opportunity, capacity, voice, and support they need to participate on an equal basis, to realize their full potential, and to reduce the disparities and imbalances of power including those which exist between men and women. In keeping with these values, organizations should provide training and professional development opportunities to female staff (or other more socially disadvantaged groups) at least as often as male staff.

However, in many countries where CRS works, even if female staff are offered training and professional development opportunities as often as male staff, socio-cultural and gender norms that prevent women from traveling frequently or far from their home and family often prevent them from availing those opportunities.

The organization should first and foremost be sure it's offering professional development opportunities to male and female staff equally, then determine whether men and women are equally availing those opportunities, and finally examine whether changes can be made or other initiatives offered to assist women in availing of professional development opportunities.

10.3.4. The organization's leadership/ senior managers respect diverse working styles, including the way males tend to work as well as the way females tend to work.

An organization's leadership typically sets the tone for the working environment and organizational culture. For this reason, it is especially important that senior managers recognize that while not all working styles are the same, there is not one right way to achieve success, and in-so-doing, value various working styles that may be different from their own. In some cultures, for example, leaders may value gregarious and charismatic workers that spend long hours at the office, while quieter and more introverted workers, or workers who leave the office consistently on time, may not be regarded as equally effective even if their outputs and performance are on par with or exceed others'. This also includes looking past gender stereotypes that may equate masculine and feminine work traits with working styles or behaviors, such as the stereotype that women are more trustworthy and thus make better financial accountants than men, to focus on individuals' outputs and performance.

10.3.5. The organization's leadership/ senior managers take gender equality-related questions and challenges seriously and discuss them openly.

An organization's leadership typically sets the tone for the working environment and organizational culture. For this reason, it is especially important that senior managers take gender equality-related questions and challenges seriously and discuss them openly. This means that senior managers openly recognize and call attention to gender disparities and the inequalities that cause them, prioritize reducing inequalities between males and females, and initiate conversations, discussions, and initiatives to take action.

10.3.6. The organization's leadership/ senior managers promote and model gender sensitive behavior, including language used and appropriateness of jokes and comments among staff.

An organization's leadership typically sets the tone for the working environment and organizational culture. For this reason, it is especially important that senior managers model gender sensitive behavior, including treating women and men with equal amounts of respect, using appropriate language, and avoiding inappropriate jokes and other comments that might make female or male staff feel uncomfortable. As models of gender sensitive behavior, senior managers and other leaders should also be among the first to speak out if they do see or hear inappropriate behavior, including comments on the way women look or dress, asking questions that are too personal in nature, or making jokes that disparage a gender or age group.

10.4. Programming Dimensions: Program Planning, Design, and Implementation

<u>10.4.1. Gender analyses are systematically conducted as a part of project design, including an examination of gender roles and responsibilities; disparities in access to and control over resources; and gendered roles in decision making processes.</u>

A gender analysis is a process that examines the differences in males' and females' lives, including those that lead to social and economic inequality. It is a tool for systematically collecting data that can be used to examine these differences, the different levels of power they hold, their differing needs, constraints and opportunities, and the impact of these differences on their lives. Various domains are often analyzed, including roles, responsibilities and time used; access to and control over resources; power and decision making; cultural norms and beliefs; and, legal frameworks and institutional practices.

Gender analyses should be routinely conducted during the design of new projects to ensure that the project is responsive to differences between males' and females' needs and works to reduce inequalities identified.

<u>10.4.2 Projects address gender disparities in roles and responsibilities, time, control over resources, decision making power, and inequitable socio-cultural norms, and benefit women, men, girls and boys equitably.</u>

Organizations' projects should address gender inequalities between males' and females' roles, responsibilities and time use; access to and control over resources; decision making power, and inequitable socio-cultural norms to achieve right relations between males and females.

Examples can include initiatives to reduce females' time and labor burdens with the provision of mills or other equipment; increase women's access to land and farming inputs (who typically have more restricted access to a number of resources than men); increase women's control over land with long-term leases and/or land titles; increase women's decision making power over the use of household income; and implementing social behavior change initiatives to change attitudes around early marriage, intimate partner violence, or other inequitable socio-cultural norms.

In addition, projects should benefit women, men, girls and boys equitably. This means that females should benefit from organizations' projects in at least equal numbers as males, and if females are socio-culturally at a disadvantage, that projects work to address that disadvantage, which may mean serving more females in order to "catch up" to males' place in society. An example of an equitable initiative could be, for example, that in a country where less girls go to school with boys, an education project focuses on girls' education. These projects do not benefit females at a cost to males – males do not "fall backward," but rather the intent is to advance females towards males' place in society.

10.4.3. Project design and implementation includes mitigating measures against negative unintended consequences, including gender-based violence and increasing women's and girls' workloads.

While all organizations aim to implement effective and impactful programs, without vigilance and deliberate mitigation efforts, organizations may in fact unintentionally do harm.

For example, projects that work to increase women's income may also increase their workload to the detriment of her physical and psychological health and that of her children, who women may keep home from school to help with chores they are no longer able to complete on their own. Projects may also inadvertently put individuals – usually women and girls – at increased risk of gender-based violence, either by increasing tension in the household or by increasing females' exposure to risky situations. Organizations should routinely consider possible negative consequences of their actions and include mitigation strategies during project design and implementation. Examples of mitigation strategies include discussing initiatives carefully with all stakeholders before implementation to reduce the risk of intra-household tension, considering effects on women's workloads and efforts to reduce them, carefully considering timing and location of project activities, and many others.

<u>10.4.4. All projects have budgeted activities specifically for gender (e.g. gender analysis, gender-related social behavior change activities, gender training, leadership and negotiation skills for women, time and labor saving technologies, etc.)</u>

All budgets should routinely and deliberately include line items or support for gender responsive or transformative activities. Examples of line items could include a gender analysis, assessment, or other study; gender-related social behavior change activities, gender training for staff and/or project participants; leadership and negotiation skills for women; time- and labor-saving technologies, etc.

10.5. Programming Dimensions: Monitoring, Evaluation, and Learning

10.5.1. All data that is collected for projects is disaggregated by sex and age during collection, analysis, and reporting.

In many contexts, women, men, girls, and boys have different needs and face different social, economic, and cultural barriers that can affect their ability to access and benefit from services and programs equitably. Sex- and age-disaggregated data is a powerful tool to identify quantifiable differences between males and females. Without sex-disaggregated data, vital information is missed about the existing differences and gaps between girls, boys, women, and men, and important opportunities to adapt programs to meet their unique needs and improve outcomes can be overlooked.

Collecting sex-disaggregated data alone does not result in a gender-sensitive intervention. Once collected, it's vital that the sex-disaggregated data are continually analyzed over time. The analysis of sex-disaggregated data can, for example, inform staff about whether the proportion of females to males identified, enrolled or accessing a service is representative of the population as a whole, and whether males and females are responding to the intervention in the similar numbers. When gaps are identified, it's important to do further research to determine what is causing the gap, and to make adjustments to the project in order to implement an intervention that benefits males and females equitably.

Another example that highlights how sex-disaggregated data can lead to improvement is to analyze the proportion of females and males living with HIV in the community. The goal of this identification is to then link PLHIV with treatment. If, for example, 70% of the PLHIV identified in the community are male, and only 30% are female, then it's important to look at other data sources to determine the ratio of the male to female HIV burden, to see whether the ratio of females to males identified is representative of the community. If it's not, then it suggests that there is an issue with the identification process, and it should be reviewed and adapted accordingly in order to overcome the issues that prevent one sex from being identified and linked to treatment. [16]

10.5.2. The project's M&E system includes gender sensitive indicators to monitor change in gender disparities, including roles and responsibilities, time, access to and control over resources, decision-making power, and monitor for unintended consequences.

Gender-sensitive indicators, which measure changes in the status and role of males and females over time, are central to the monitoring and evaluation of programs. Gender-sensitive indicators have the special function of pointing out how far and in what ways development programs have met their gender objectives and achieved results related to gender equity. It can also alert staff to any unintended consequences by showing if any aspects of the program benefit one sex more than another or creates negative results for one social group.

16 Excerpted and adapted from https://www.usaidassist.org/resources/gender-considerations-monitoring-and-evaluation

The best way to develop gender-sensitive indicators is to utilize findings from a gender analysis to identify gender-related constraints that may affect the program and to design indicators to track those issues over time. These could include, for example, indicators that measure change in males' and females' roles and responsibilities, time burden and use, disparities in access to and control over resources, and decision-making patterns. In developing gender-sensitive indicators, it's important to formulate measures that demonstrate removal of gender-based constraints, establish realistic separate targets for women and men, and check assumptions. Gender-sensitive indicators should capture quality and not just quantity: for example, not just measuring attendance but also true participation and decision-making, or examine the quality of jobs, rather than simply numbers of women employed. [17]

10.5.3. The impact of projects on gender equality and relations is evaluated (e.g. the extent to which project interventions have positively impacted gender equality outcomes, changes in decision making power, identified any unintended consequences, etc.).

Organizations should routinely and deliberately include evaluation questions that examine the extent to which projects have closed gender gaps and contributed to gender equality and right relations, and whether closing gender gaps has improved project outcomes. Without gender responsive evaluations, organizations will be unable to examine the extent to which its programming achieves positive results and improves quality of life for women as well as men; reduces gender gaps and empowers women and girls; and contributes to the high-level outcomes articulated in the organization's, CRS's, or the donor's gender strategy or policy.

17Adapted from https://www.usaidassist.org/resources/gender-considerations-monitoring-and-evaluation

Engendering an evaluation means that all stages of the evaluation reflect: (1) an awareness that the degree and meaning of program participation, program results, and potential sustainability are shaped by gender; (2) a recognition that explicit attention to gender issues must be integrated into the evaluation if gender equality objectives are to be addressed; and (3) a commitment to examining the extent to which gender equality was achieved as a result of the strategy, project, of approach that was implemented. A fully gender-sensitive approach would include these elements in the evaluation's Scope of Work; the evaluation design, methodological approach, and data collection methods; and throughout data analysis and reporting. [18]

10.5.4. Gender-related lessons learned and good practices are systematically gathered, documented, and shared during and after program implementation.

Just as gender needs to be integrated into M&E systems with indicators and evaluation questions, gender equality-related lessons learned and good practices should be gathered, documented, and shared during and after program implementation.

18 Adapted from "How-to Note: Engendering Evaluation at USAID." Version 2.0 October 2016.

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Recommended Reading

The Community of Practice Wiki, with resources on communities of practice. http://cpsquare.org/wiki/Welcome

Free Management Library. A collection of links and articles on human resource management. http://managementhelp.org/hr_mgmnt/hr_mgmnt.htm.

Knowledge Management for Development, information about knowledge management including events, resources, and community of practice. www.km4dev.org

The Society for Human Resource Management. Templates, tools, and publications on human resource topics. http://www.shrm.org/Pages/default.aspx

UN Women: United Nations Entity for Gender Advancement and the Empowerment of Women. Tools to assist in gender mainstreaming. http://www.un.org/womenwatch/osagi/gendermainstreaming.htm

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CATHOLIC RELIEF SERVICES

Chapter 3:

Guide to U.S. Department of Health and Human Services Regulations

GUIDE

Cover photo: In Lobito, Angola, participants show their certificates of participation in a training of trainers, which prepared them to train partner staff and local community-based trainers. Photo by Melita Sawyer/CRS.

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ACRONYMS

ADR	Alternative Dispute Resolution
CFR	Code of Federal Regulations
EO	Executive Order
GAAP	Generally Accepted Accounting Principles
GMO	Grant Management Officer
GPS	Grant Policy Statement
HHS	Department of Health and Human Services
HRSA	Health Resources and Services Administration
NGO	Non-Governmental Organization
NoA	Notice of Award
OGAM	Office of Grants and Acquisition Management
OMB	Office of Management and Budget
OPDIVs	Operating Divisions
PD	Program or Project Director
PI	Principal Investigator
PMS	Payment Management System
POS	Point of Service
USA	United States of America
USG	United States Government

CHAPTER 3:
GUIDE TO U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES REGULATIONS

KIM BURGO/CRS

Brazilian children living in a camp for landless people.

PURPOSE OF THIS GUIDE

Organizations receiving United States government (USG) awards are required to follow specific regulations in carrying out the activities of the award. The awards are granted through different agencies of the government. Each USG agency has specific regulations for the administration of awards that they issue.

This guide is meant to help recipients in the administration of USG Department of Health and Human Services (HHS) awards. The regulations cover the general provisions and the pre-award, post-award and after-the-award requirements for USG awards. These regulations have a flow-down effect on the sub-recipients of the HHS awards.

In this guide, key regulations applicable to HHS awards have been outlined. Users of this guide are reminded that the guide does not comprehensively cover all the requirements, and are encouraged to make references to the respective regulations for more details. The applicable regulations are annexed to this guide.

WHAT FUNCTION DOES THIS HHS GUIDE SERVE?

The guide provides an overview and key highlights of the specific regulations applicable to HHS awards, as well as references for further reading. Compliance with award regulations is important to having sustainable working relations with the USG awarding agencies for continued support in carrying out activities under their assistance programs.

SUMMARY OF THIS HHS GUIDE

This guide provides highlights of the USG regulations applicable to awards by HHS. It summarizes key requirements during the pre-award, post-award and after-the-award phases of the HHS award. The key regulations applicable to HHS awards include the following:

1. 45CFR74 – Uniform Administrative Requirements for Awards and Sub Awards to Institutions of Higher Education, Hospitals, Other Non-Profit Organizations and Commercial Organizations and Certain Agreements with States, Local Governments and Indian Tribal Governments.
2. 2CFR230 (Circular A-122) – Cost Principles for Non-Profit Organizations
3. HHS Grant Policy Statement
4. Circular A-133 – Audit Guidelines

Non-compliance with these regulations may result in disallowed costs, suspension, and/or termination of awards to the recipient organization by the Department of Health and Human Services. This may compromise relations with other USG awarding agencies in regard to future applications or proposals by the recipient organization.

Users of this guide should pay attention to the regulations that apply to them either as recipients or sub-recipients. Further reading on the regulations is available in the regulations and USG websites provided at the end of this guide. Any requirements that are specific to the award will be included in a Notice of Award issued by the operating division (OPDIV).

DAVID SNYDER FOR CRS

In Lesotho, a local resident ties food bags, provided as part of a feeding program through the Bobete Clinic, to the back of a donkey for transport into the surrounding mountains. CRS supports the clinic and the surrounding community with a range of projects.

KEY PRINCIPLES

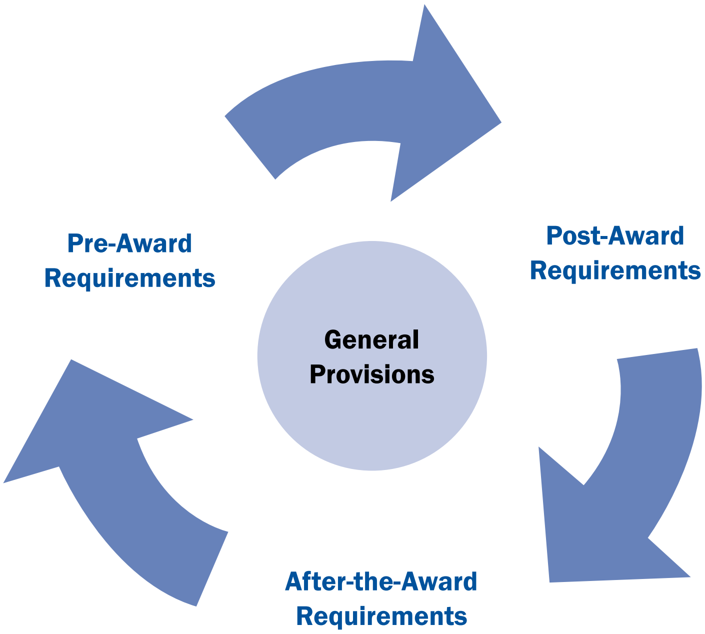
- **Compliance with all regulatory requirements** – Recipients shall undertake project activities in compliance with all regulatory requirements applicable to USG HSS awards.
- **Good stewardship of resources** – In meeting the goals of the project, recipients shall demonstrate good stewardship of resources available to them under the award.

Structure of HHS

The leadership of the department of Health and Human Services is provided by the US Office of the Secretary. As a federal grantor agency, it is responsible for carrying out its mission in a cost-effective manner and in compliance with applicable requirements. HHS activities are carried out under grants and co-operative agreements.

HHS grant programs are the responsibility of 12 operating divisions, including the Health Resources and Service Administration (HRSA) and the Centers for Disease Control (CDC) (HHS Grant Policy Statement - Appendix 3).

USG-HHS REGULATORY FRAMEWORK



OVERVIEW OF THE REGULATIONS

The regulations apply to all recipients and sub-recipients of HHS grants and agreements.

HHS Grant Policy Statement

This is intended to make available in a single document the general terms and conditions of HHS discretionary grant and cooperative agreement awards, common across all HHS OPDIVs.

The HHS GPS has four parts and an appendix as follows:

- Part I: HHS Grants Process
- Part II: Terms and Conditions of HHS Grant Awards
- Part III: Points of Contact
- Part IV: OPDIV-Specific Information and Terms and Conditions

45 CFR74 – Uniform Administrative Requirements

This document establishes uniform administrative requirements for HHS grants and agreements awarded to institutions of higher education, hospitals, and non-profit organizations. The regulations apply to all recipients and sub-recipients of HHS grants and agreements. HHS may not impose additional requirements unless specifically required by federal statute or executive order.

The 45 CFR74 has six Sub Parts and Appendices A–H as follows:

- Sub Part A: General

- Sub Part B: Pre-Award Requirements
- Sub Part C: Post-Award Requirements
- Sub Part D: After-the-Award Requirements
- Sub Part E: Special Provisions for Awards to Commercial Organizations
- Sub Part F: Disputes

2 CFR 230 (Circular A-122) Cost Principles

This circular establishes principles for determining costs of grants, contracts, and other agreements with non-profit organizations. It does not apply to colleges and universities, which are covered by Office of Management and Budget (OMB) Circular A-21, "Cost Principles for Educational Institutions;" state, local, and federally-recognized Indian tribal governments, which are covered by OMB Circular A-87, "Cost Principles for State, Local, and Indian Tribal Governments;" or hospitals.

The principles are designed to provide that the federal government bears its fair share of costs except where restricted or prohibited by law.

2 CFR230 (Circular A-122) has three attachments as follows:

- Attachment A: General Principles
- Attachment B: Selected Items of Cost
- Attachment C: Non-Profit Organizations Not Subject to this Circular

General Provisions

- Purpose and applicability, definitions and effect on other issuances

Deviations (45CFR74.4; HHS GPS Part II)

- HHS Office of Grants and Acquisition Management (OGAM) may grant exceptions to HSS awarding agencies for classes of awards or recipients subject to the requirements of this part unless such exemptions are prohibited by statute.
- HSS awarding agencies may apply more restrictive requirements to a class of awards or recipients when approved by the OGAM in consultation with OMB.
- HSS awarding agencies may apply less restrictive requirements without approval by the OGAM when making small awards (up to $100,000) except for those requirements that are statutory.
- Deviations are considered if they will facilitate comprehensive or integrated service delivery, or multiple-source consolidated awards.
- Deviations may not be granted if they would impair the integrity of the program.

HILDA M. PEREZ FOR CRS

Deported migrants arrive in Honduras and proceed to a deportation processing area where migrants arriving from the United States receive services such as transportation, communication to their families, health care and other support.

Sub-Awards (45CFR74.5; HHS GPS Part II)

Requirements in 45 CFR Part 74 (except for sections 74.12 and 74.22) apply to sub-awards unless inconsistent with statutory requirements.

PRE-AWARD REQUIREMENTS

Pre-Award Policies (45CFR74.11)

- A grant or cooperative agreement is used only when the principal reason for a transaction is to accomplish a public purpose of support or stimulation authorized by federal statute.
- For co-operative agreements, substantial involvement is expected between the executive agency and the state or local government, or other recipient when carrying out the activity outlined in the agreement.
- A contract is used when the principal purpose is acquisition of property or services for the direct benefit or use of the HHS awarding agency.

APPLICATION PROCESS (HHS GPS PART I)

Types of Applications and Letters of Intent

Project Period System – a project may be approved for a multi-year period funded in annual increments known as “budget periods.” This system provides the recipient with an indication of the OPDIV’s intent to non-competitively fund the project during the approved project period as long as required information is submitted, funds are available, and certain criteria are met.

HHS uses the following types of applications and requests for funding under the project period system:

1. **New Application** – a request for financial assistance for a project or activity that is not currently receiving support, which must compete for support unless justified as a single-source application.
2. **Competing Continuation Application** – a request for funding to renew, by one or more additional budget periods (described as a “competitive segment”), a project period that would otherwise expire. This type of application is sometimes referred to as “renewal.” These applications must compete for support in the same manner as new applications.
3. **Supplemental Application** – a request for an increase in support in a current budget period for expansion of the scope of the approved project or program or to meet an unforeseen increase in costs. The request may specify budgetary changes required for the remainder of the project period as well as for the current budget period.

Supplemental applications requesting a programmatic expansion (change in scope) must undergo objective review and generally are required to compete for support; requests for administrative supplements may be awarded without objective review or competition.

4. **Revised (Amended) Application** – an unfunded application that the applicant has modified following objective review and resubmitted for a subsequent review cycle.

5. **Non-Competing Continuation Application** – a request for funding, whether the OPDIV terms the request an application or a progress or performance report, for funding the second or subsequent budget period within an approved competitive segment. A non-competing continuation application does not compete with other applications for support.

HHS funding opportunity announcements will invite the submission of full applications at the outset.

Forms for Applying for HHS Financial Assistance (45CFR74.12; HHS GPS Part I Exhibit 2)

- HHS awarding agencies use the Standard Form 424 (SF-424) series and its program narrative whenever possible.
- HHS awarding agencies that do not use the SF-424 form will indicate on the application form they prescribe whether the application is subject to review by the State under E.O. 12372.
- This section does not apply to sub-recipients.

Debarment and Suspension (45CFR74.13; HHS GPS Part I)

Recipients are restricted from entering into sub-awards and contracts with certain parties that are debarred, suspended, excluded from, or ineligible for participation in federal assistance programs or activities.

Special Award Conditions (45CFR74.14; HHS GPS Part I)

- Circumstances under which an HHS awarding agency may impose additional requirements on an applicant or recipient as needed, without regard to Sec. 74.4, include situations in which the applicant:
  - has a history of poor performance;
  - is not financially stable;
  - has a management system that does not meet the standards prescribed in this part;
  - has not conformed to the terms and conditions of a previous award; or
  - is otherwise not responsible.

- Additional requirements must be communicated to the recipient in writing.
- The HHS awarding agency will promptly remove any additional requirements once the conditions have been corrected.

Certifications and Representations (45CFR74.17; HHS GPS Part II)

- Recipients must submit annual certifications and representations to the HHS awarding agency if they have ongoing and continuing relationships with the HHS awarding agency.
- These certifications and representations must be signed by an authorized official to ensure the recipient's compliance with the pertinent requirements.

POST-AWARD REQUIREMENTS

Financial and Program Management

Financial and program management allows for smooth implementation of project activities. It includes establishment of standards for financial management systems; methods for making payments; and rules for satisfying cost sharing and matching requirements, accounting for program income, budget revision approvals, audits, determining which costs are allowable, and establishing fund availability.

Standards for Financial Management Systems (45CFR74.21; HHS GPS Part II)

The systems should relate financial data to performance and provide the following:

- Accurate, current, and complete disclosure of the financial results of each HHS-sponsored project or program
- Records that adequately identify the source and application of funds for HHS-sponsored activities
- Effective control over and accountability for all funds, property, and other assets
- Comparison of outlays with budget amounts for each award
- Written procedures to minimize the amount of time between the transfer of funds to the recipient from the U.S. Treasury and the issuance for program purposes by the recipient
- Written procedures for determining whether costs are reasonable, properly allocated, and allowed in accordance with the provisions of the applicable federal cost principles and the terms and conditions of the award
- Accounting records, including cost accounting records supported by source documentation

Financial and program management allows for smooth implementation of project activities.

Payment Methods (45CFR 74.22; HHS GPS Part I)

Payment methods should minimize the amount of time between the transfer of funds from the U.S. Treasury and the issuance of checks or payment by other means by the recipients. Recipients will be paid in advance provided they maintain or demonstrate the willingness to maintain written procedures that minimize the amount of time between the transfer and disbursement of funds and financial management systems that meet the standards for fund control and accountability. Reimbursement is the preferred method when the requirements above cannot be met. If the recipient doesn't meet the requirements for advance payment and is not qualified for reimbursement due to a lack of sufficient working capital, then HHS may provide cash on a working capital basis.

Cash advances to a recipient organization shall be limited to the minimum amounts needed and be timed to be in accordance with the actual immediate cash requirements of the recipient organization in carrying out the purpose of the approved program or project. Whenever possible, advances will be consolidated to cover anticipated cash needs for all awards made by all HHS awarding agencies to the recipient.

The HHS awarding agency will not withhold payments for proper charges made by recipients at any time during the project period except under the following circumstances:

- The recipient has failed to comply with the project objectives, the terms and conditions of the award, or the HHS awarding agency's reporting requirements.
- The recipient or sub-recipient is delinquent in a debt to the United States.

Except for circumstances in which the recipient is delinquent as stated above, HHS will not require separate depository accounts for funds provided to a recipient or establish any eligibility requirements for depositories for funds provided to a recipient. However, recipients must be able to account for the receipt, obligation, and expenditure of funds.

Advances of federal funds shall be deposited and maintained in insured accounts whenever possible. Recipients shall also maintain advances of federal funds in interest-bearing accounts unless one or more of the following conditions apply:

- The recipient receives less than $120,000 in federal awards per year.
- The best reasonably available interest-bearing account would not be expected to earn interest in excess of $250 per year on federal cash balances.
- The depository would require an average or minimum balance so high that it would not be feasible within the expected federal and non-federal cash resources.

Cost Sharing or Matching (45 CFR 74.23; HHS GPS Part II)
"Cost sharing" and "matching" are often used interchangeably. "Matching" refers to a statutorily specified percentage, whether as a fixed or minimum percentage of non-federal participation, that must be contributed by a recipient in order to be eligible for federal funding. "Cost sharing" refers to any situation in which the recipient shares in the costs of a project other than matching as statutorily required.

Criteria for cost sharing or matching contributions include the following:

- Should be verifiable from the recipient's records
- Should not be included as contributions for any other federally-assisted project or program
- Should be necessary and reasonable for proper and efficient accomplishment of project or program objectives
- Should be allowable under the applicable cost principles
- Should not be paid by the federal government under another award, except where authorized by federal statute to be used for cost sharing or matching
- Should be provided in the approved budget
- Should conform to other provisions of 45 CFR 74, as applicable

ARIEL BLETH

As part of the CRS-led Great Lakes Cassava Initiative, field agents use computer-based modules (developed with the help of Cornell University) to facilitate field trainings for farmers, tailoring discussions based on farmers' existing knowledge and interests.

Program Income (45 CFR 74.24; HHS GPS Part II)

Program income refers to gross income earned by a recipient, sub recipient, or a contractor under a grant. It is directly generated by the grant-supported activity or earned as a result of the award. Program income earned during the project period shall be retained by the recipient. In accordance with the terms and conditions of the award, the income may be used in one or more of the following ways:

1. Added to funds committed to the project or program and used to further eligible project or program objectives
2. Used to finance the non-federal share of the project or program
3. Deducted from the total project or program allowable cost in determining the net allowable costs on which the federal share of costs is based.

When the HHS awarding agency authorizes the disposition of program income as described in option 1 or option 2 as above, program income in excess of any limits stipulated shall be used in accordance with option 3 above. In the event that the HHS awarding agency does not specify in the terms and conditions of the award how program income is to be used, option 3 above shall apply automatically to all projects or programs except research.

Unless the terms and conditions for the award provide otherwise, recipients shall have no obligation to HHS with respect to program income earned from license fees and royalties for copyrighted material, patents, patent applications, trademarks, and inventions made under an award.

Revision of Budget and Program Plans (45CFR 74.25; HHS GPS Part II)

Budgets may include either the sum of the federal and non-federal shares, or only the federal share, depending upon HHS awarding agency requirements.

They should be related to performance for program evaluation purposes whenever appropriate. Recipients are required to report deviations from budget and program plans, and request prior approvals for budget and program plan revisions. HHS awarding agencies may not impose other prior approval requirements for specific items.

Situations requiring recipients to obtain prior approvals from the HHS awarding agency include the following:

1. Change in the scope or the objective of the project or program
2. Change in the key persons specified in the application or award document
3. The absence for more than three months of, or a 25 percent reduction in time devoted to the project by, the approved key personnel of the project
4. The need for additional federal funding
5. The inclusion, unless waived by the HHS awarding agency, of costs that require prior approval in accordance with OMB Circulars
6. The transfer of funds allotted for training allowances (direct payment to trainees) to other categories of expense
7. Transfer or contracting out of any work under an award unless approved by the awarding agency
8. The inclusion of research patient care costs in research awards made for the performance of research work

Except for 1 and 4 above the HHS awarding agency is authorized, at its option, to waive cost-related and administrative prior written approvals required by this part and its appendixes. Additional waivers may be granted according to recipients' needs and requests. All approvals granted in keeping with the provisions of this section shall not be valid unless they are in writing and signed by responsible HHS officials.

Audit Requirements (45CFR 74.26; HHS GPS Part II)

An audit is a systematic review or appraisal made to determine whether internal accounting and other control systems provide reasonable assurance of the following:

- Financial operations are properly conducted.
- Financial reports are timely, fair, and accurate.
- The entity has complied with applicable laws, regulations, and terms and conditions of the award.
- Resources are managed and used economically and efficiently.
- Desired results and objectives are being achieved effectively.

Recipients (other than federal institutions) and sub-recipients are subject to the audit requirements of OMB Circular A-133, as implemented by 45 CFR 74.26 or the audit requirements stated in 45 CFR 74.26(d) and in the HHS GPS (for types of organizations to which OMB Circular A-133 does not directly apply). In general, OMB Circular A-133 requires a non-profit organization (including institutions of higher education) that expends $500,000 or more per year under federal grants, cooperative agreements, and/or procurement contracts to have an annual audit. The audit must meet the standards specified in generally accepted government auditing standards (GAGAS).

For-profit organizations are required to have a non-federal audit if, during their fiscal years, they expended a total of $500,000 or more under one or more HHS awards as a direct recipient and/or as a sub-recipient.

Foreign recipients are subject to the same audit requirements as for-profit organizations specified in 45 CFR 74.26(d).

For each kind of recipient, there is a particular set of federal principles that applies in determining allowable costs.

Allowable Costs (45CFR 74.27; HHS GPS Part II; 2CFR230 Attachment B)
For each kind of recipient, there is a particular set of federal principles that applies in determining allowable costs. Allowability of costs shall be determined in accordance with the cost principles applicable to the entity incurring the costs.

Period of Availability of Funds (45CFR 74.28; HHS GPS Part I)
When a funding period is specified, a recipient may charge to the award only allowable costs resulting from obligations incurred during the funding period and any pre-award costs authorized by the HHS awarding agency.

Property Standards
These set forth the uniform standards governing management and disposition of property furnished by HHS or whose cost was charged directly to a project supported by an HHS award.

Insurance Coverage (45CFR 74.31; HHS GPS Part II)
At minimum, recipients should provide the equivalent insurance coverage for real property and equipment acquired with HHS funds as provided to other property owned by the recipient.

Real Property (45CFR74.32; HHS GPS Part II)
Title to real property (defined as land including land improvements and structures but excluding movable machinery and equipment) vests in the recipient subject to the condition that the recipient shall use the real property

for the authorized purpose of the project as long as it is needed and shall not encumber the property without approval of the HHS awarding agency.

The recipient shall obtain written approval from the HHS awarding agency for the use of real property in other federally-sponsored projects when the recipient determines that the property is no longer needed for the purpose of the original project. Use in other projects shall be limited to federally-sponsored projects. When the real property is no longer needed for project purposes, the recipient shall request disposition instructions from the HHS awarding agency or its successor.

Federally Owned and Exempt Property (45 CFR74.33; HHS GPS Part II)
Title of federally owned property remains vested in the federal government. Recipients submit annually to the HHS awarding agency an inventory listing of federally owned property in their custody. Upon completion of the award or when the property is no longer needed, the recipient shall report the property to the HHS awarding agency for further agency utilization.

Equipment (45 CFR74.34; HHS GPS Part II)
Title to equipment (defined as tangible nonexpendable personal property charged directly to the award having a useful life of more than one year and an acquisition cost of $5,000 or more per unit, such as vehicles, bicycles, computer equipment, teaching aids, lab equipment, etc.) acquired by a recipient with HHS funds shall vest in the recipient. The equipment may not be encumbered without the approval of the awarding agency. The equipment will be used for authorized purposes as long as it is needed whether or not the project or program continues to be supported by federal funds. When the recipient no longer needs the equipment, it may use it for other activities in accordance with agency procedures or dispose of it upon approval from the awarding agency.

Equipment records shall be maintained accurately and shall include the following information:

1. A description of the equipment
2. Manufacturer's serial number, model number, or other identification number
3. Source of the equipment including the award number
4. Whether title vests in the recipient or the federal government
5. Acquisition date (or date received, if the equipment was furnished by the federal government) and cost
6. Information from which one can calculate the percentage of HHS's share in the cost of the equipment (not applicable to equipment furnished by the federal government)

7. Location and condition of the equipment and the date the information was reported
8. Unit acquisition cost
9. Ultimate disposition data including date of disposal and sale price or, when a recipient compensates the HHS awarding agency for its share, the method used to determine current fair market value

Equipment owned by the federal government shall be identified to indicate federal ownership. The recipient shall take a physical inventory of equipment and reconcile the results with the equipment records at least once every two years. Any differences between quantities determined by the physical inspection and those shown in the accounting records shall be investigated to determine the cause of the difference.

TOM LORSUNG FOR CRS

Tourists visit a floating market in Bangkok, Thailand. Tourism in Bangkok has grown and is poised to expand further.

Supplies (45 CFR 74.36; HHS GPS Part II)

Title to supplies shall vest in the recipient upon acquisition. If there is a residual inventory of unused supplies exceeding $5,000 in total aggregate value upon termination or completion of the project or program and the supplies are not needed for any other federally-sponsored project or program, the recipient shall retain the supplies for use on non-federally sponsored activities or sell them. In either case, the recipient shall compensate the federal government for its share.

Intangible Property (45 CFR 74.36; HHS GPS Part II)

The recipient may copyright any work that is subject to copyright and was developed, or for which ownership was purchased, under an award. The HHS awarding agency reserves a royalty-free, non-exclusive and irrevocable right to reproduce, publish, or otherwise use the work for federal purposes, and to authorize others to do so.

Title to intangible property and debt instruments purchased or otherwise acquired under an award or sub-award vests upon acquisition in the recipient. The recipient shall use that property for the originally authorized purpose, and the recipient shall not encumber the property without approval of the HHS awarding agency. When no longer needed for the originally authorized purpose, disposition of the intangible property shall occur in accordance with agency procedure.

Property Trust Relationship (45 CFR74.37; HHS GPS Part II)

Real property, equipment, intangible property, and debt instruments that are acquired or improved with federal funds shall be held in trust by the recipients as trustee for the beneficiaries of the project or program under which the property was acquired or improved, and shall not be encumbered without the approval of the HHS awarding agency.

Property Disposition (45 CFR 74.32/34; HHS GPS Part II)

When the property or equipment is no longer needed, or when the award ends, the recipient must request disposition instructions from its awarding agency.

There are several different options for disposition, as follows:

1. The recipient may be permitted to retain the title of the property without further obligation to the United States government after the recipient compensates the government for the remaining current fair market value of the property.
2. The recipient may be directed to sell the property under guidelines provided by the awarding agency and pay the United States government for its percentage of the current fair market value of the property. When the recipient is authorized or required to sell the property, the recipient must establish proper sales procedures that provide for competition to the extent practicable and result in the highest possible return.
3. The recipient may be directed to transfer title of the property to the United States government or to an eligible third party provided that, in such cases, the recipient shall be entitled to compensation for its attributable percentage of the current fair market value of the property.

Procurement Standards

Funds and in-kind resources provided under the award shall be used only for those activities necessary to complete the project goals and objectives. It is important that as the recipient purchases goods and services, it follows certain guidelines to ensure good stewardship of the funds and in-kind services.

Codes of Conduct (45 CFR 74.42; HHS GPS Part II)

The recipient is responsible for maintaining written standards of conduct governing the performance of its employees who are engaged in the award and administration of any sub-contracts. The officers, employees, and agents of the recipient may neither solicit nor accept gratuities, favors, or anything of monetary value from contractors or parties to sub-agreements. However, the recipient may set standards for situations in which the financial interest is not substantial or the gift is an unsolicited item of nominal value. The written standards of conduct shall cover what disciplinary actions are to be applied for violations of such standards.

Competition (45CFR 74.43; HHS GPS Part II)

All procurement transactions shall be conducted in a manner to provide, to the maximum extent practical, open and free competition. The recipient shall be alert to organizational conflicts of interest as well as noncompetitive practices among contractors that may restrict or eliminate competition or otherwise restrain trade. All bids should be conducted in a manner ensuring open and free competition.

Written Procurement Procedures (45 CFR74.44; HHS GPS Part II)

Recipients must establish written procurement procedures that they agree to follow. The written procedures must ensure the following:

- Recipient avoids purchasing unnecessary items
- Recipient analyzes purchase alternatives to determine which would be the most economical and practical procurement
- Recipient solicitations for goods and services provide for all of the following:
  - A clear and accurate description of the technical requirements for the material, product, or service to be procured
  - Requirements that the bidder must fulfill and all other factors to be used in evaluating bids or proposals
  - A description, whenever practicable, of technical requirements in terms of functions to be performed or performance required, including the range of acceptable characteristics or minimum acceptable standards
  - Preference, to the extent practicable and economically feasible, for products and services that conserve natural resources, protect the environment, and are energy efficient
- Contracts shall be made only with responsible contractors who possess the ability to perform successfully under the terms and conditions of the proposed procurement. Consideration shall be given to such matters as contractor integrity, record of past performance, financial and technical resources, or accessibility to other necessary resources

Recipients must establish written procurement procedures

If the recipient fails to follow these written procedures, the awarding agency may require it to make available procurement documents such as requests for proposals or invitations for bids, independent cost estimates, etc., and may determine that any purchase made contrary to the defined procedures is an unallowable expense.

Procurement Records (45 CFR 74.47)

Procurement records and files for purchases should at a minimum contain basis for contractor selection, justification for lack of competition when competitive bids or offers are not obtained, and basis for award cost or price.

Reports and Records(45CFR 74.50-53)

The main purpose for reports and records is to monitor and report on the recipient's financial and program performance through the various standard formats and forms.

Monitoring and Reporting Program Performance (45CFR74.51; HHS GPS Part II)

It is the responsibility of the recipient to monitor each project, program, sub-award, function, or activity supported by the award to ensure that sub-recipients meet the audit and other requirements by the awarding agency. The HHS awarding agency will prescribe the frequency with which the performance reports shall be submitted. Performance reports will not be required more frequently than quarterly or less frequently than annually unless the awarding agency issues special requests. Annual reports shall be due 90 calendar days after the award year; quarterly or semi-annual reports shall be due 30 days after the reporting period. The HHS awarding agency may require annual reports before the anniversary dates of multiple year awards in lieu of these requirements. The final performance reports are due 90 calendar days after the expiration or termination of the award.

Financial Reporting (45CFR 74.52; HHS GPS Part II)

The HHS awarding agency will determine the frequency of the financial status report for each project or program, considering the size and complexity of the particular project or program. However, the report will not be required more frequently than quarterly or less frequently than annually except under special conditions of the awarding agency. A final report shall be required at the completion of the agreement.

Retention and Access Requirements for Records (45 CFR 74.53; HHS GPS Part II)

Financial records, supporting documents, statistical records, and all other records pertinent to an award shall be retained for a period of three years from the date of submission of the final expenditure report or, for awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report. However if any litigation, claim, financial management review, or audit is started before the expiration of the three-year period, the records shall be retained until all litigation, claims, or audit findings involving the records have been resolved and final action taken. There could be other exceptions depending on the nature of the records.

HHS awarding agencies, the HHS Inspector General, the U.S. Comptroller General, or any of their duly authorized representatives, have the right to timely and unrestricted access to any books, documents, papers, or other records of recipients that are pertinent to the awards in order to make audits, examinations, excerpts, transcripts, and copies of such documents. This right also includes timely and reasonable access to a recipient's personnel for the purpose of interview and discussion related to such documents. The rights of access in this paragraph are not limited to the required retention period, but shall last as long as records are retained.

TERMINATION AND ENFORCEMENT

Termination (45 CFR 74.61; HHS GPS Part II)

Awards may be terminated in whole or in part in the following ways:

- By the HHS awarding agency, if a recipient materially fails to comply with the terms and conditions of an award
- By the HHS awarding agency with the consent of the recipient, in which case the two parties shall agree upon the termination conditions, including the effective date and, in the case of partial termination, the portion to be terminated
- By the recipient upon sending to the HHS awarding agency written notification setting forth the reasons for such termination, the effective date, and, in the case of partial termination, the portion to be terminated

Enforcement (45 CFR 74.62; HHS GPS Part II)

If a recipient materially fails to comply with the terms and conditions of an award, whether stated in a federal statute or regulation, an assurance, an application, or a notice of award, the HHS awarding agency may impose special conditions and may also take one or more of the following actions, as appropriate in the circumstances:

- Temporarily withhold cash payments pending correction of the deficiency by the recipient
- Disallow all or part of the cost of the activity or action not in compliance
- Wholly or partly suspend or terminate the current award
- Withhold further awards for the project or program
- Take any other remedies that may be legally available
- In taking an enforcement action, the HHS awarding agency will provide the recipient or sub-recipient an opportunity for a hearing, an appeal, or other administrative proceeding to which the recipient or sub-recipient is entitled under any statute or regulation applicable to the action

SEAN SPRAGUE FOR CRS

Fitriah and her daughter Namira live in Banda Aceh, Indonesia, and area that was hard-hit by the 2004 Indian Ocean earthquake and tsunami.

AFTER-THE-AWARD REQUIREMENTS

Closeout Procedures (45CFR 74.71; HHS GPS Part II)

Recipients shall submit, within 90 calendar days after the date of completion of the award, all financial, performance, and other reports as required by the terms and conditions of the award. The HHS awarding agency may approve extensions when requested by the recipient.

Unless the HHS awarding agency authorizes an extension, a recipient shall liquidate all obligations incurred under the award not later than 90 calendar days after the funding period or the date of completion as specified in the terms and conditions of the award or in agency implementing instructions.

Subsequent Adjustments and Continuing Responsibilities (45 CFR 74.72; HHS GPS Part II)

The closeout of an award does not affect any of the following:

- The right of the HHS awarding agency to disallow costs and recover funds on the basis of a later audit or other review
- The obligation of the recipient to return any funds due as a result of later refunds, corrections, or other transactions
- Audit requirements
- Property management requirements
- Records retention requirements

After closeout of an award, a relationship created under an award may be modified or ended in whole or in part with the consent of the HHS awarding agency and the recipient, provided the responsibilities of the recipient including those for property management as applicable are considered and provisions are made for continuing responsibilities of the recipient as appropriate.

Collection of Amounts Due (45 CFR 74.73; HHS GPS Part II)

Any funds paid to a recipient in excess of the amount to which the recipient is finally determined to be entitled under the terms and conditions of the award constitute a debt to the federal government. If not paid within a reasonable period after the demand for payment, the HHS awarding agency may reduce the debt by doing one of the following:

- Making an administrative offset against other requests for reimbursements
- Withholding advance payments otherwise due the recipient
- Taking other action permitted by statute

DISPUTES

Final Decisions in Disputes (45 CFR 74.90; HHS GPS Part II)
HHS attempts to promptly issue final decisions in disputes and other matters affecting the interests of recipients. However, final decisions adverse to the recipient are not issued until it is clear that the matter cannot be resolved through further exchange of information and views.

Under various HHS statutes or regulations, recipients have the right to appeal or to have a hearing concerning certain final decisions by HHS awarding agencies.

Alternative Dispute Resolution (45 CFR 74.91; HHS GPS Part II)
HHS encourages its awarding agencies and recipients to try to resolve disputes by using alternative dispute resolution (ADR) techniques. ADR often is effective in reducing the cost, delay, and contentiousness involved in appeals and other traditional ways of handling disputes. ADR techniques include mediation, neutral evaluation, and other consensual methods.

COST PRINCIPLES

2CFR230 (OMB CIRCULAR A-122)
2CFR230 establishes principles for determining costs of grants, contracts, and other agreements with non-profit organizations. It does not apply to colleges and universities, which are covered by Office of Management and Budget (OMB) Circular A-21, “Cost Principles for Educational Institutions;” state, local, and federally-recognized Indian tribal governments, which are covered by OMB Circular A-87, “Cost Principles for State, Local, and Indian Tribal Governments;” or hospitals.

The principles are designed to ensure that the federal government bears its fair share of costs except where restricted or prohibited by law.

GENERAL PRINCIPLES

Basic Considerations (Attachment “A” Sub Part A, 1-7)

a) Composition of Total Costs
The total cost of an award is the sum of the allowable direct and allocable indirect costs less any applicable credits.

b) Allowability
Costs must meet all of the following seven general criteria in order to be allowable under an award (note that specific inclusion in the budget is NOT one of the criteria):

i. Be reasonable for the performance of the award and be allocable
ii. Follow the principles in A-122
iii. Be consistent with the NGO's policies and procedures for both USG grants and other programs
iv. Be treated consistently in the accounting records
v. Follow generally accepted accounting principles (GAAP)
vi. Not be charged as a cost to any other USG grant or used as cost share on another USG grant
vii. Be adequately documented

c) Reasonableness

Costs must be generally recognized as ordinary and necessary for the operation of the organization or the performance of the award

A cost is ***reasonable*** if it meets one or more of the following conditions:

- Ordinary and necessary for the operation of the organization or the performance of the award
- Compliant with restraints or requirements imposed by
    - Arms length bargaining
    - Generally accepted sound business practices
    - Government regulations
    - The terms and conditions of the award
- Reasonable in nature and amount

d) Allocability

Costs are allocable when they meet one or more of the following conditions:

- Incurred specifically for the award (*direct cost*)
- Benefits more than one award (*shared direct cost*)
- Necessary to the operation, but no direct relationship (*indirect cost*)
- Distributed based on benefits received
- Treated consistently with other costs incurred for the same purpose
- Benefits both the award and other work proportionately
- Is necessary for the project, even though a direct relationship to that project cannot be demonstrated

Costs allocable to a particular award cannot be moved to another federal award because of funding deficiencies or to avoid restrictions.

Exemptions

OMB authorizes conditional exemption from OMB administrative requirements and cost principles circulars for certain federal programs with statutorily-authorized consolidated planning and consolidated administrative funding that are identified by a federal agency and approved by the head of the executive department or establishment. A federal agency shall consult with OMB during its consideration of whether to grant such an exemption.

Direct Costs (Attachment "A," Sub Part B, 1-4)

Direct costs are those that can be identified specifically with a particular final cost objective. However, a cost may not be assigned to an award as a direct cost if any other cost incurred for the same purpose, in like circumstances, has been allocated to an award as an indirect cost.

Indirect Costs (Attachment "A," Sub Part C, 1-3)

Indirect costs are those that have been incurred for common or joint objectives and cannot be readily identified with a particular final cost objective. A cost may not be allocated to an award as an indirect cost if any other cost incurred for the same purpose, in like circumstances, has been assigned to an award as a direct cost.

Indirect costs are classified into two broad categories: Facilities and Administration. *Facilities* is defined as depreciation and uses allowances on buildings, equipment, and capital improvement; interest on debt associated with certain buildings, equipment and capital improvements; and operations and maintenance expenses. *Administration* is defined as general administration and all other types of expenditures not listed specifically under one of the subcategories of Facilities.

Allocation and Determination of Indirect Cost Rates (Attachment "A," Sub Part D 1-5)

When an organization has several major functions benefiting from its indirect costs in varying degrees, allocation of indirect costs may require the accumulation of such costs into separate cost groupings, which then are allocated individually to benefiting functions by means of a base which best measures the relative degree of benefit. The indirect costs allocated to each function are then distributed to individual awards and other activities included in that function by means of an indirect cost rate(s).

An allocation base has to be determined to ensure equity. To do this, actual conditions are taken into account in selecting the base to be used in allocating the expenses to the various functions. The essential consideration in selecting a method or a base is that it is the one best suited for assigning the pooled costs to cost objectives in accordance with benefits derived. A base period for the allocation also has to be determined. This is the period in which indirect costs are incurred and accumulated for allocation to work performed in that period. The base period normally should coincide with the organization's fiscal year but in any event shall be selected carefully to avoid inequities in the allocation of the costs.

Negotiation and Approval of Indirect Cost Rates (Attachment "A", Sub Part E 1-2)

Unless different arrangements are agreed to by the agencies concerned, the federal agency with the largest dollar value of awards to an organization will be designated as the cognizant agency for the negotiation and approval of indirect cost rates. Once an agency is assigned cognizance for a particular non-profit organization, the assignment will not be changed unless there is a major long-term shift in the dollar volume of the federal awards to the organization. All concerned federal agencies shall be given the opportunity to participate in the negotiation process. After a rate has been agreed upon, it will be accepted by all federal agencies. The indirect cost rates are individual agreements negotiated for each fiscal year by each organization and are different for each organization. They apply to awards by USG agencies to the organization. A "provisional rate" is used throughout the year. After the annual fiscal year audit, a final rate based on actual indirect costs is established.

Selected Items of Cost (2 CFR230 Attachment B; HHS GPS Part II Exhibits 10-16)

2 CFR230 (OMB Circular A-122) Attachment B lists 56 selected items of costs. Principles established in determining allowability of the 56 items of costs apply to similar costs that have not been listed. HHS GPS Part II also specifies cost allowability within HHS awards.

ITEM OF COST	ALLOWABLE	CONDITIONALLY ALLOWABLE	UNALLOWABLE
Advertising	For recruiting personnel, procuring goods and services related to the award, disposing of scrap or surplus materials acquired through the award, and other purposes to meet requirements of rewards.		Fundraising/promotional advertising
Public Relations	Only those required for sponsored awards and communications with public and press pertaining to notices of contract awards and specific activities and accomplishments. Costs related to liaison with news media and government PR offices is limited to communication to keep the public informed on matters of public concern such as notices of contract/grant awards, financial matters, etc.		Alcoholic beverages Bad debts Entertainment costs Representation Fines and penalties Goods or services for personal use Personal use of vehicles Losses on other awards or contracts First or business class air tickets (except in case by case exceptions) Contributions or donations to other organizations or causes
Bonding Costs	When required by the award or the organization to fulfill the obligations of the award. May be bid, performance, advance payment, or fidelity, pursuant to terms and requirements of the award and obtained in accordance with good business practices.		
Communications	Telephone, telegrams, postage, e-mails, and pouch		

ITEM OF COST	ALLOWABLE	CONDITIONALLY ALLOWABLE	UNALLOWABLE
Compensation	Personnel salaries, wages, directors' and executive committee members' fees, incentives, fringe benefits, and pensions, provided they are granted in accordance with established written policies of the institution. As long as they are reasonable for services rendered and conform to established policies of the organization, consistently applied, and documented.		
Compensation – Overtime	Only when necessary to (a) cope with emergencies resulting from accidents, natural disasters, breakdowns of equipment, or occasional operational bottlenecks of sporadic nature; (b) when employees are performing indirect functions such as administration, maintenance and accounting; (c) in the performance of tests, laboratory procedures, or other similar operations which are continuous in nature and cannot be reasonably interrupted or otherwise completed, and (d) when lower overall costs to the federal government will result.	Allowable with prior approval of awarding agency.	
Contingency Provisions	Allowable as self-insurance reserves, pension funds, and accruals for severance payments.		Contingency provisions with no certainty as to time, intensity, or assurance of their happening.
Defense, Prosecution, and Claims	Costs are allowable if costs are provided in an approved award.	When suits brought by the federal government against the organization are resolved by consent or compromise, certain costs may be allowable depending on the agreements reached. When proceedings instituted by state, local or foreign government if the costs were incurred as a result of a specific term or condition of the award or specific written direction of an authorized official of the sponsoring agency.	Costs incurred in defense of suits from employees under Major Fraud Act of 1988, against federal government claims or appeals.

ITEM OF COST	ALLOWABLE	CONDITIONALLY ALLOWABLE	UNALLOWABLE
Depreciation and Use Allowances	Compensation for the use of buildings, other capital improvements, and equipment on hand may be made based upon the acquisition costs of the assets involved. This must exclude the cost of land, any portion of the cost of buildings and equipment borne by or donated by the USG, regardless of titleholder, and any portion of the cost of buildings and equipment contributed by or for the organization as part of a statutory matching requirement.		
Employee Morale/Health	Costs associated with employee morale, health, and welfare, including costs for house publications and first aid, equitably apportioned to all activities of the organization.		
Insurance/ Indemnification	As required or approved and maintained pursuant to the award (as long as it is sound business practice, reasonable, and excludes management fees). Also allowed is coverage of minor losses not covered by insurance costs such as spoilage, leakage and disappearance and supplies lost during ordinary course of operations. Indemnification: Only as expressly provided in the award or otherwise not covered by insurance.		
Labor Relations Costs	Costs to maintain satisfactory relations between the organization and employees, including labor management committees, publications, and other related activities.		
Lobbying	Costs associated with providing factual information on a topic directly related to the performance of a grant or agreement via hearings, statements, or letters to Congress or other government agency in response to a documented request, provided the information is readily available and presentable.		Lobbying of US government Contributions to political parties or for influencing elections

ITEM OF COST	ALLOWABLE	CONDITIONALLY ALLOWABLE	UNALLOWABLE
Maintenance and Repair Costs	Necessary maintenance of equipment and buildings that neither adds to the permanent value or extends their intended life.		
Materials and Supplies	Allowable after deducting any cash discounts, rebates, and allowances received by the organization. Incoming transportation charges are considered part of the materials and supplies costs.		
Meetings and Facilities	Facility rental, meals, and speakers' fees.		
Memberships	Such costs for organizational membership in business, technical and professional organizations, attendance at meetings of the same, and subscriptions to business, professional and technical periodicals.	Membership in civic or community membership or subscriptions is allowable only with prior written approval from the cognizant agency.	
Page Charges in Professional Journals	Allowable as necessary part of research costs when work is supported by the federal government and charges levied by the journal are the same for non-federally sponsored authors.		
Participant Support Costs		Travel allowances, stipends, and registration fees paid to or on behalf of participants or trainees (but not employees) in connection with meetings, conferences, symposia, or trainings are only allowable with prior approval of the awarding agency.	
Patent Costs	General counselling services relating to patents and copyrights		Costs for preparing disclosures, reports, and researching to make disclosures if not required by the award.
Professional Services Fees	Retainers allowable when supported by evidence of bona fide services available or rendered.		

ITEM OF COST	ALLOWABLE	CONDITIONALLY ALLOWABLE	UNALLOWABLE
Publication and Printing Costs	Allowable as indirect costs only if not identifiable with a particular cost objective.		
Profit and Loss on Asset Disposition	Shall be included in the year they occur as credits or charges to cost groupings in which the depreciation applicable to such property was included, unless 1) processed via a depreciation reserve account, 2) the property is given in exchange as part of the purchase price of a similar item, 3) the loss results from the failure to maintain permissible insurance, or 4) compensation was through use allowances.		
Re-conversion Costs	Costs for restoring or rehabilitating facilities to same condition prior to commencement of award due to fair wear and tear excepted.		
Recruiting Staff	Costs associated with recruiting staff to fulfill the requirements of the award.		
Rental Costs	Cost of renting facilities or equipment in the performance of the award as long as they are reasonable in light of comparable property.		
Security	Plant security costs required to comply with federal requirements or protection of facilities, including wages, uniforms and equipment for personnel.		
Severance Pay	When required by law, employer-employee agreement, or established policies if the charge to current operations is reasonable in light of payments made for normal severances over a representative past period.		
Specialized Service Facilities (Highly Complex or Specialized Facilities)	When material, these costs should be charged directly to the applicable award based on actual usage, and not charged at a rate different than that for non-awards. Where costs are not material, the use of such facilities should be charged as indirect costs.		

ITEM OF COST	ALLOWABLE	CONDITIONALLY ALLOWABLE	UNALLOWABLE
Taxes	Taxes required or accrued in accordance with GAAP and payments made to local government in lieu of taxes.		
Termination Costs	Rental costs from unexpired leases are generally allowable when reasonably necessary for the performance of the award when such amounts do not exceed the value of the property leased and the organization has made all efforts to terminate, settle, or reduce the cost of the lease. Settlement expenses for accounting, legal, clerical, and similar costs reasonably necessary for the any claims, the termination and settlement of sub awards, costs for the storage, transportation, protection, and disposition of property acquired or produced for the award, indirect costs related to salaries/wages. Claims under sub-awards which are common to the award are also allowable.		
Training and Education Costs	Materials, textbooks, tuition, and fees charged by the educational institution and compensation to employees not to exceed 156 hours per year.		
Transportation Costs and Postage	Costs for freight, cartage, and postal charges related to the purchase of goods in process or delivered, as either direct or indirect costs depending on how they are normally treated by the organization.		Taxes for which exemptions are available
Travel Costs	Transportation, lodging, subsistence, and related items of employees on official business for specific work under the grant or incurred in the normal course of administration of the organization. Necessary and reasonable costs of family movements and personnel movements of a special or mass nature are allowable pursuant to paragraphs 44 and 45 (Recruiting and Relocation).	Foreign travel (outside Canada and the USA and its territories and possessions) must have prior approval, including of destination and number of people, from awarding agency for each foreign trip.	

ITEM OF COST	ALLOWABLE	CONDITIONALLY ALLOWABLE	UNALLOWABLE
Trustee Travel	Travel and subsistence costs for trustees or directors are allowable and subject to travel costs restrictions.		
Relocation Costs		Allowable only if for the benefit of the employer and reimbursement to employee is consistent with written policy and does not exceed actual expenses. Applicable to transportation of employee and family, personal effects, cost of finding new home, and closing costs. (Note that relocation costs for employees that resign from the agency within 12 months of being hired, must be reimbursed to the USG.)	
Capital for Purchase or Improvements of Land/Buildings		Only permissible with prior approval of the awarding agency	
Donated Services		Can be charged as indirect costs when services are substantial and supported by significant amounts of indirect costs and are pursuant to the conditions of the regulations.	
Fines and Penalties		Allowable only as permitted by the award or written authorization from the Federal agency.	Relocation costs – Fees associated with acquiring a new home, loss on sale of a former home, or principal and interest on mortgage payments on home being sold.
Idle Facilities		Only permissible if required for meeting fluctuations in workload. They may sit idle for up to one year after the end of the period for which they were used.	
Equipment		For the performance of the award, capital expenditures are allowable as direct costs, provided that costs are US$5,000.00 or more and approved by awarding agency.	

ITEM OF COST	ALLOWABLE	CONDITIONALLY ALLOWABLE	UNALLOWABLE
Improvements to Land/Buildings		Only permissible with prior approval from awarding agency.	
Housing/Living Expenses		Allowable as direct costs to an award when necessary for the performance of the award and approved by the awarding agency.	
Maintenance and Repair Costs		Costs adding to the permanent value of the buildings or equipment are regarded as capital improvements.	
Meetings and Facilities – Participant Support Costs		For stipends, subsistence and travel allowances, and registration fees paid on behalf of participants are allowable with prior approval from the awarding agency. (This does not apply to employees of the organization that received the award).	
Organization Costs		Expenditures for incorporation, brokerage, organizers, and management consultant or attorney's fees, in the establishment of an organization or reorganization are unallowable, except with prior permission from the cognizant agency.	
Patent Costs		Many costs unallowable unless required to be incurred by the award or the federal government.	
Pre-Award Costs		Costs incurred prior to the effective date of the award, after negotiation and in anticipation of the award when such costs are necessary to comply with the proposed delivery schedule or period of performance with prior approval from the awarding agency.	
Professional Services Fees		Allowable for consultants when the organization has need for external technical support, when in line with previous practice, and are reasonable for the work to be done to fulfill the aim of the award.	

ITEM OF COST	ALLOWABLE	CONDITIONALLY ALLOWABLE	UNALLOWABLE
Publication and Printing Costs		Costs for printing, distribution, promotion, mailing, and handling are unallowable as direct costs unless the cognizant agency provides written authorization.	
Royalties/ Patents/Copy Rights		Such royalties or costs of acquiring by purchase a copyright, patent, or rights thereto are permissible unless the federal government has free use of it or it is invalid, unenforceable, or is expired.	
Re-Arrangement and Alteration Costs		Office rearrangement and alteration costs are permissible only with prior agency approval.	
Selling and Marketing		Other than allowable Public Relations costs (See Advertising and Public Relations), costs of selling and marketing any products or services are unallowable unless included as direct costs with prior approval from the awarding agency when necessary for the performance of the award.	
Severance Pay		Amounts to national employees exceeding that which the organization would pay in the USA are unallowable, unless prior approval is received from the awarding agency. Amounts to foreign nationals employed by the organization outside the United States, 1) to the extent that the amount exceeds the customary or prevailing practices for the organization in the US or 2) due to termination of the foreign national as a result of the closing or curtailment of activities by the organization in country, are unallowable, unless they are necessary for the performance of federal programs and approved by the awarding agency.	
Termination Costs		Costs that cannot be discontinued immediately after the award terminates are allowable, unless such costs continue merely at the negligence or willful failure of the organization.	
Training and Education Costs		When in excess of the allowable costs may be allowed with prior approval of the awarding agency.	

Costs and Actions Specifically Requiring Prior Approval (2CFR230 Attachment B; HHS GPS Part II Exhibit 5)

Prior approval means securing the awarding agency's permission in advance to incur cost for those items that are designated as requiring prior approval by the Circular or HHS GPS. Generally, this permission will be in writing. Where an item of cost requiring prior approval is specified in the budget of an award, approval of the budget constitutes approval of that cost.

Such cost and actions include the following:

- Equipment and other capital expenditures
- Housing expenses
- Participant support costs
- Memberships in civic or community organizations
- Pre-award costs
- Publication and printing costs
- International travel – each foreign trip must be approved
- Overtime compensation
- Carryover of unobligated balances
- Change of grantee organization
- Change in scope or objectives
- Changes in status of principal investigator, project director, or other key personnel named in the notice of award
- Construction, land, or building acquisition
- Deviation from award terms and conditions
- Foreign component added to a grant to a domestic organization
- Indemnification of third parties
- Need for additional funding
- No-cost extension
- Research patient care costs
- Retention of research grant funds when career award made
- Transfer of amounts for training allowances (stipends, tuition, and fees) to other budget categories
- Transfer of funds between construction and non construction work
- Transfer of substantive programmatic work, i.e., transfer, sub-award, or contracting out any work under prime award

GLOSSARY

Administrative requirements

The general practices that are common to the administration of grants, such as financial accountability, reporting, equipment management, and retention of records.

Advance payment

A payment made to a recipient upon its request either before cash disbursements are made by the recipient or through the use of predetermined payment schedules. Most HHS advance payments are made by the Payment Management System (PMS), the HHS centralized grant payment system.

Allocable cost

A cost that is allocable to a particular cost objective (i.e., a specific function, grant project, service, department, or other activity) in accordance with the relative benefits received. A cost is allocable to a federal award when it is treated consistently with other costs incurred for the same purpose in like circumstances and (1) is incurred specifically for the award, (2) benefits both the award and other work and can be distributed in reasonable proportion to the benefits received, or (3) is necessary for the overall operation of the organization.

Allowable cost

A cost incurred by a recipient that is (1) reasonable for the performance of the award; (2) allocable; (3) in conformance with any limitations or exclusions set forth in the federal cost principles applicable to the organization incurring the cost or in the NoA as to the type or amount of cost; (4) consistent with regulations, policies, and procedures of the recipient that are applied uniformly to both federally-supported and other activities of the organization; (5) accorded consistent treatment as a direct or indirect cost; (6) determined in accordance with generally accepted accounting principles; and (7) not included as a cost in any other federally supported award (unless specifically authorized by statute).

Alternative dispute resolution

A process in which mediation or other techniques are used to avoid or resolve disputes.

Award

The document that provides OPDIV funds to a recipient to carry out an approved program or project (based on an approved application or progress report). The term, when used as a noun, is sometimes used interchangeably with *grant*.

Carryover

Unobligated federal funds remaining at the end of any budget period that may be carried forward to another budget period to cover allowable costs of that budget period (whether as an offset or additional authorization). Obligated but non-liquidated funds are not considered carryover.

Closeout

The process by which an OPDIV determines whether all applicable administrative actions and all work required under the award have been completed by the recipient and the awarding office.

Competition

A process in which applications undergo an objective review; the applications are evaluated against established review criteria and scored and rated accordingly.

Cooperative agreements

A financial assistance support mechanism used when there will be substantial federal programmatic involvement. Substantial involvement means that OPDIV program staff will collaborate or participate in project or program activities as specified in the NoA.

Copyright

A form of protection provided by the laws of the United States (Title 17, U.S. Code) to the authors of "original works of authorship," including literary, dramatic, musical, artistic, computer programs, and certain other intellectual works. This protection is available for both published and unpublished works.

Direct costs

Costs that can be identified specifically with a particular sponsored project, an instructional activity, or any other institutional activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy.

Equipment

An article of tangible nonexpendable personal property that has a useful life of more than one year and an acquisition cost of $5,000 or more per unit or the capitalization threshold established by the recipient, whichever is less.

For profit organization

An organization, institution, corporation, or other legal entity that is organized or operated for the profit or financial benefit of its shareholders or other owners. Such organizations also are referred to as *commercial organizations*.

Grant

A financial assistance support mechanism providing money, property, and/or other direct assistance in lieu of money to an eligible entity to carry out an approved project or activity in support of a public purpose and not the direct benefit of the government. A grant is used whenever the OPDIV anticipates no substantial programmatic involvement with the recipient during performance of the financially assisted activities.

Indirect costs

Costs that are incurred by a recipient for common or joint objectives and cannot be identified specifically with a particular project or program. These costs also are known as *facilities and administrative costs*.

Intangible property

Property that ordinarily does not have physical existence. It includes, but is not limited to, copyrights for which assignment of rights is acquired under awards; patents and other intellectual property for which ownership is acquired under awards; loans, notes, and other debt instruments (even if considered tangible for other purposes); lease agreements; and stock and other instruments of property ownership. The term excludes copyrights, patents, and other intellectual property that are generated or developed, rather than acquired, under awards.

Matching or cost sharing

The value of third party in-kind contributions and the portion of the costs of a federally assisted project or program not borne by the federal government. Costs used to satisfy matching or cost sharing requirements are subject to the same policies governing allowability as other costs under the approved budget.

Pre-Award costs

Costs incurred prior to the beginning date of the project period, in anticipation of an award and at the applicant's own risk, for otherwise allowable costs.

Prior approval

Written consent or issuance of an award by the OPDIV GMO in response to a written request from the recipient to incur a specific direct cost or take other action that requires such approval (as specified in Part II of the HHS GPS). If the costs or other actions are specifically identified in an application, approval of the application and issuance of an award based thereon constitutes such authorization. Prior approval for components of indirect costs must be obtained from the cognizant agency or be specified in the applicable cost principles.

Program income

Gross income, earned by a recipient, that is directly generated by the grant-supported project, program, or activity or earned as a result of the award.

Project or program costs

The total allowable costs incurred by a recipient (and the value of in-kind contributions made by third parties) in accomplishing the objectives of the award during the project period.

Project period

The total time for which support of a project has been programmatically approved. The total project period comprises the initial competitive segment, any subsequent competitive segments resulting from a competing continuation award, and any non-competing extensions.

Real property

Land, including land improvements, structures, and appurtenances, but not movable machinery and equipment.

Reasonable cost

A cost whose nature or amount does not exceed that which would be incurred by a prudent person under the circumstances prevailing when the decision was made to incur the cost.

Recipient

The organization or individual that receives a grant or cooperative agreement award from an OPDIV and is responsible and accountable for the use of the funds provided and for the performance of the grant-supported project or activity. The recipient is the entire legal entity even if a particular component is designated in the NoA. The term includes *grantee*.

Reimbursement

A payment made to a recipient upon its request after it makes cash disbursements. Most reimbursement payments are processed through the Payment Management System (PMS), the department's centralized grants payment system.

Sub-Award

Financial assistance in the form of money or property in lieu of money provided under an award by a recipient to an eligible sub-recipient (or by an eligible sub-recipient to a lower-tier sub-recipient). The term includes financial assistance when provided by any legal agreement, even if the agreement is called a contract, but does not include either procurement of goods or services or, for purposes of this policy statement, any form of assistance other than grants and cooperative agreements. The term includes consortium agreements.

Sub-Recipient

An entity that receives a sub-award from a recipient or another sub-recipient under an award of financial assistance and is accountable to the recipient or other sub-recipient for the use of the federal funds provided by the sub-award.

Supplies

Personal property other than equipment, intangible property, and debt instruments. The category of *supplies* includes items that could be considered equipment but do not meet the threshold definition.

Tangible property

Equipment, supplies, and any other property other than that defined as intangible property. It also does not include copyrights, patents, and other intellectual property that is generated or developed (rather than acquired) under an award.

Third-Party in-kind contributions

The value of non-cash contributions directly benefiting a grant-supported project or program that is provided by non-federal third parties to the recipient, the sub-recipient, or a cost-type contractor under the grant or sub-grant without charge. In-kind contributions may be in the form of real property, equipment, supplies, other expendable property, and goods and services directly benefiting and specifically identifiable to the project or program.

Total project or program costs

The total allowable costs (both direct and indirect) incurred by the recipient to carry out a grant-supported project or activity. Total project or program costs include costs charged to the award and costs borne by the recipient to satisfy a matching or cost-sharing requirement.

Unallowable cost

A cost specified by law or regulation, federal cost principles, or terms and conditions of an award that may not be reimbursed under a grant or cooperative agreement.

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CATHOLIC RELIEF SERVICES

Chapter 4:

Governance

GUIDE

Cover photo: CRS partner agencies in the Philippines meet to sketch out their roles in implementing the CRS Peace Governance project. The country has seen much conflict between ethnic and religious groups since the late 1960's. Photo by David Snyder for CRS.

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ACRONYMS

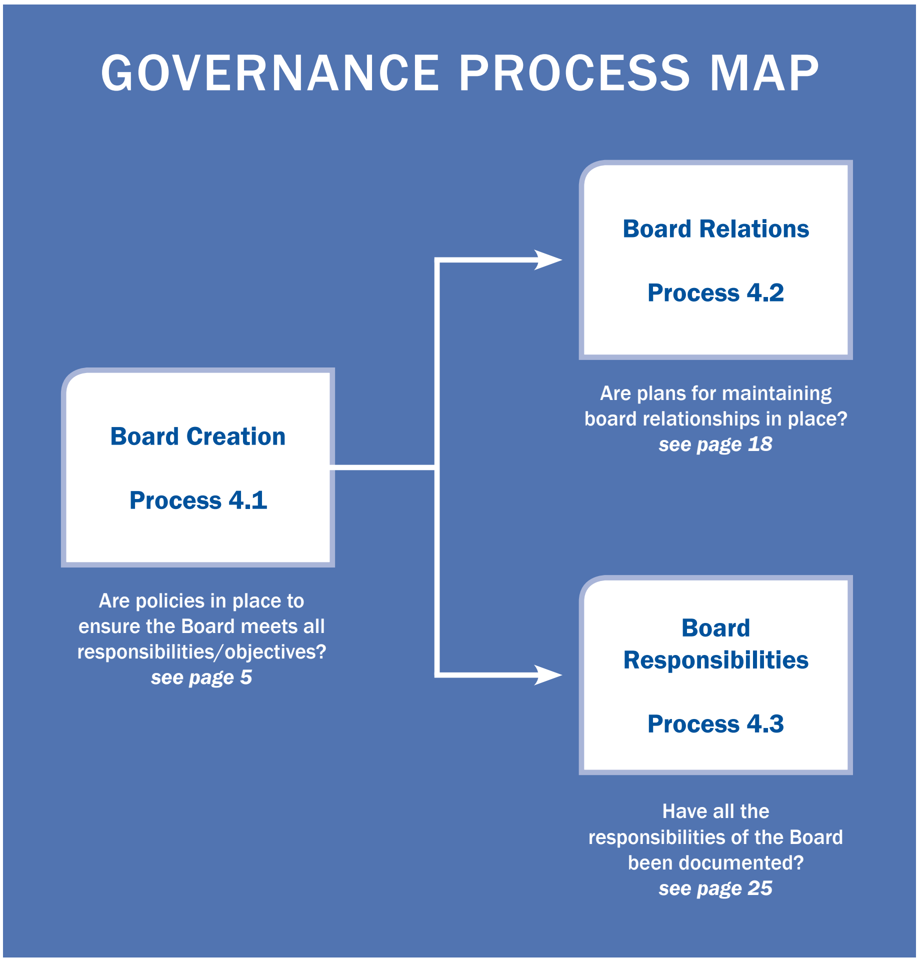
CRS	Catholic Relief Services
GAAPs	Generally Accepted Accounting Principles
TOR	Terms of Reference
HR	Human Resources
ICT	Information and Communication Technology
IFAC	International Institute of Accountants
OECD	Organization of Economic Cooperation and Development

CHAPTER 4: GOVERNANCE

DAVID SNYDER FOR CRS

In Addis Ababa, Ethiopia, two young ladies take part in an HIV awareness training presented through CRS partner agency the Medical Missionaries of Mary.

GOVERNANCE PROCESS MAP



PURPOSE OF THIS GUIDE

Institutional governance is the process through which institutions and organizations are directed, controlled, and held accountable. It is concerned with effective systems and structures that facilitate proper decision making, accountability, control, and efficiency in the organization. These systems and structures seek to promote leadership and operational guidance that is honest, trustworthy, reliable, credible, transparent, accountable, responsible, and has a focused intelligence. Catholic Relief Services (CRS) recognizes that good institutional governance and management are essential to achieving efficiency and sustainability of its local partner organizations and are vital ingredients in the maintenance of a dynamic balance between the need for order and equality in society, the efficient production and delivery of goods and services, and accountability in the use of power.

WHAT FUNCTION DOES GOVERNANCE SERVE?

The board shall frame their operations within the terms of the governing body constitution, bylaws, and any other legal instrument related to its formation and functioning.

The board shall fulfill the following functions:

- Provide leadership, fostering integrity and transparency in its relation to internal and external stakeholders
- Define clear roles and responsibilities of the executive and non-executive board members, such as the roles of the board chairperson and the Executive Director
- Define and provide terms of reference to all standing and ad hoc committees
- Ensure that the board has a good mix of professional skills among the membership, adding value to the board operation
- Define the core business of the organization and develop and execute the strategic plan; monitor and evaluate the organization's operation and business plans, ensuring that the organization remains competitive and viable
- Provide oversight of operations and ensure that the organization complies fully with country laws, local regulations, and the organization's code of conduct
- Evaluate board operations assuring that value is added to its core business and institutional impact is reflected in the community it serves
- Communicate frequently and effectively with stakeholders, authorities, and the donor community in order to seize new opportunities, adapt to changes in the business environment, and enhance interest in order to achieve technical, organizational, and financial sustainability

SUMMARY OF THIS GUIDE

Simply put, *governance* refers to a frame defined by legal, economic, institutional culture, and practices that allows organizations to function effectively in an organized, responsible, and accountable business environment.

KEY PRINCIPLES OF THE GOVERNANCE FUNCTION

The purpose of governance is to ensure that the organization's decision power and core business are managed with integrity, transparency, and accountability to the governing body of the owning organization and, internal and external stakeholders. Governance operates within the framework of laws, regulations, and organizational practices (formal and informal) in the context of the organization's vision, mission, and guiding principles. It maintains a clear balance of power that fosters relationships and fairness in the decision-making process.

The purpose of governance is to ensure that the organization's decision power and core business are managed with integrity, transparency, and accountability.

Governance seeks to create an effective process that, through the board operation, ensures the following:

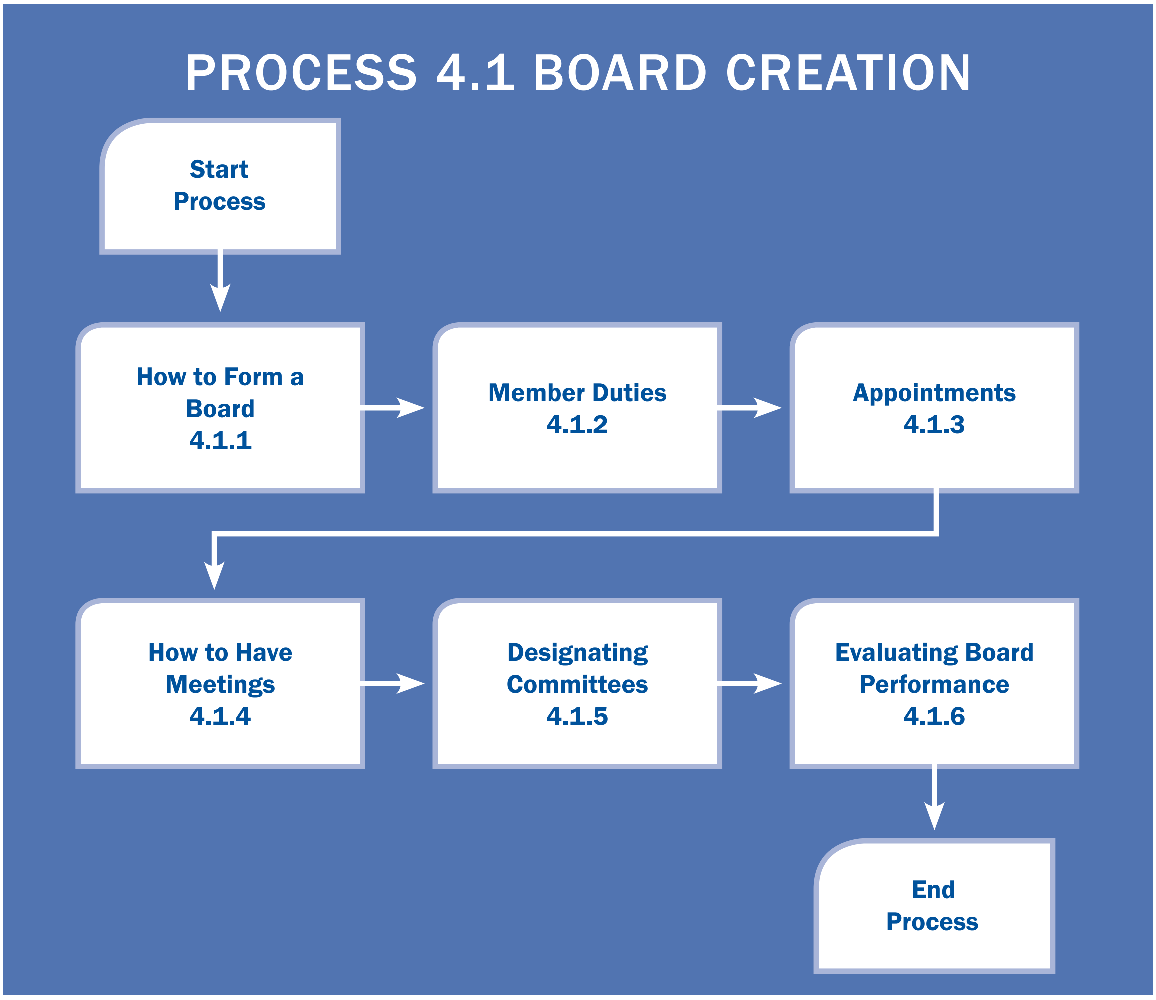
- There is strategic thinking
- Balance of power and institutional control is shared within the limits of the board bylaws
- There is a democratic process to select board members, elect the chairman, form board committees, and select and hire members of the senior management team
- Systems and structures are in place to promote efficient operation that is effective in achieving the strategic goals set by the board
- There is an oversight structure in place to ensure integrity and accountability to stakeholders and organization owners
- There is a formal board oversight function to ensure that the organization complies with local laws and regulations and governing body regulatory instruments to promote efficiency, credibility, competitiveness, viability, and sustainability
- Governance practices are appropriate, effective, and are adhered to with a view to promote a viable, accountable, and sustainable operation
- The organizational culture promotes continuous learning and innovations

ICT BUSINESS PROCESS 4.1 – BOARD CREATION

PROCESS DESCRIPTION

The formation and structure of the organization's board of management shall be based on a policy that provides for an appropriate mix of skills to provide the necessary breadth and depth of knowledge and experience to meet the board's responsibilities and objectives. Pertinent issues that must be considered in the formation and structure of the board are summarized below as policy recommendations.

PROCESS FLOW



STEP 4.1.1 – HOW TO FORM A BOARD

STEP NAME	HOW TO FORM A BOARD
Step Number	4.1.1
Organizational Role	Governing body
Inputs	N/A
Outputs	N/A
Integration Points	N/A
Summary	The board shall consist of members, appointed by the governing body, who meet all of the necessary prerequisites/criteria.

Appointment of Board Members:

- Members of the board shall be appointed by a mandated committee of the governing body.[1]
- The appointment shall be preceded by a nomination process based on criteria set by the mandated committee.
- All prospective candidates shall be required to submit their CVs to the mandated committee for perusal.
- The mandated committee shall conduct an interview of all prospective candidates to confirm their qualifications, availability, and willingness to serve as members of the board.

Qualification of Board Members:

All members of the board shall meet the following qualifications:

- Interest in supporting the common cause or concern of the board
- Represent a common social group who by virtue of their positions get nominated on board
- Be people of moral integrity, based on their past record of performance and commitment
- Meet the prescribed minimum level of education, with an exception to the minimum level of education allowed in areas of the country where literacy levels are low
- Meet a prescribed level of skill needed for that position

1 *Governing body* refers to an institution that owns or governs the organization. In some cases, this also could refer to the Church or, in other cases, the founders of the organization.

- Meet a prescribed level of experience within the organization

Board Orientation and Development:

- It is highly recommended that all newly appointed board members must be properly oriented on their expected duties and responsibilities. In addition, there should be continuous board capacity building to ensure that board members acquire the necessary skills and competencies to perform their tasks. Below are the critical aspects to be considered.

Appointment Letters:

- All board members shall be issued with an appointment letter clearly stipulating their duties and responsibilities while serving on the board.
- The governing body or the appointing authority mandated by the governing body shall be responsible for the issuance of these letters.

Acceptance by Board Members:

- All newly appointed board members shall sign and return a copy of the letter of appointment to indicate their acceptance or rejection of the appointment.
- A copy of each appointed member's acceptance/rejection shall be submitted to the appointing authority for further action.

Orientation:

- After inauguration, all newly appointed board members shall be inducted into the board.
- Thereafter, the outgoing board members shall provide hand-over notes by or during the second meeting of the new board.
- The appointing authority shall conduct the orientation of all newly appointed members, preferably before the election of the board chairperson and other office bearers.

Board Training:

- All newly appointed board members shall be trained on basic information and communication technology (ICT), strategic planning, and governance issues as well as on current trends and developments in the related program sectors.
- This training shall also equip the members with skills on how to effectively carry out their roles and responsibilities.

Composition of the Board:

- The board shall be balanced, taking into account factors such as age, gender, profession, and stakeholder representation.

All newly appointed board members must be properly oriented on their expected duties and responsibilities.

- The board shall be balanced to ensure representation of diverse professions related to the core programs of the organization such as agriculturists, engineers, medical/nursing professionals, clergy, management, accountants, lawyers, provincial administration, local authorities, and community leaders.
- The recommended minimum and maximum age for board members shall be 25 and 65 years respectively, taking into account each individual's physical and mental abilities.
- Notwithstanding the above, the competence of each individual shall be a key consideration for the selection of all board members.
- As a key stakeholder, the governing body shall be represented in the board as considered necessary.
- The government ministry/department responsible for the program sector may be represented in the board by an ex-officio member.

Size of the Board:

- The size of the board shall be between three and seven members with voting power. The size of the ex-officio membership will be as needed.
- At the minimum, the board composition must consist of a chairperson, vice chairperson, secretary, treasurer, and members.
- Maintaining an odd number is highly recommended for the purpose of breaking deadlocks when voting.

STEP 4.1.2 – MEMBER DUTIES

STEP NAME	MEMBER DUTIES
Step Number	4.1.2
Organizational Role	Board members
Inputs	N/A
Outputs	N/A
Integration Points	N/A
Summary	For members of the board, there are numerous obligations to be fulfilled and rules to be followed.

SARA A. FAJARDO/CRS

Residents of Mao, Dominican Republic, recently launched a campaign to help resolve conflicts in their community. Since they formed their group the incidence of violent attacks has fallen drastically.

Board Member Duties:

- Attend all meetings
- Give technical support to the board
- Contribute professional input during deliberations
- Participate in the board committees where appropriate
- Voice the felt need of the people that the organization serves

Tenure of Board Members:

- Members of the board shall serve for three year terms, with a maximum of two terms.
- Members who are appointed by virtue of their office, including ex-officio members, shall continue to serve on the board for as long as they are in office.

Termination of Membership to the Board:

- There shall be a provision for termination of membership to the board.
- Any unexplained absence from the board for more than three consecutive meetings shall lead to an enquiry to facilitate a decision on termination of membership.
- Membership may be terminated before the end of a member's term in cases in which he or she is guilty of misconduct or violates any of the regulations of the board of trustees and/or the organization.
- Termination of membership shall be phased in such a way that at no time shall the board be composed solely of new members.
- A board member may resign from his or her membership provided that he or she submits adequate notice as outlined by the board's bylaws.

Re-appointment of Board Members:

- Effort should be taken to ensure that rotation and/or phased renewal arrangements are made according to the board's bylaws.
- The governing body shall ensure that some members of the board are re-appointed for purposes of continuity.

Compensation for Board Members:

- Members of the board shall serve on a voluntary basis as a contribution to their community.
- The organization shall arrange for refreshments during all meetings where appropriate.
- Where feasible, transportation expenses for reasonably incurred travelling expenses shall be reimbursed to the members.

Integrity of Board Members:

- Each member of the board shall observe moral integrity and professionalism at all times during his or her term in office.
- Members shall serve in the best interest of the organization at all times while in office and shall avoid making any decisions that amount to a conflict of interest.

Mandate of the Board:

- The mandate of the board shall be clearly stipulated in the organization's constitution, strategic plans, and all other relevant internal policy documents.

STEP 4.1.3 – APPOINTMENTS

STEP NAME	APPOINTMENTS
Step Number	4.1.3
Organizational Role	Board members
Inputs	N/A
Outputs	N/A
Integration Points	N/A
Summary	In addition to the responsibilities of all board members, those chosen to serve in a distinguished position will be subject to further obligations and standards.

Duties of the Chairperson of the Board:

- Convene and chair all meetings of the board (in the event of his or her absence, the vice chairperson shall succeed him or her)
- Provide positive and proactive leadership and direction
- Serve as spokesperson for the organization
- Provide feedback and accountability to the organization's board of trustees
- Be a signatory to the organization's designated bank account
- Approve attendance and records of deliberations on behalf of the board

Qualifications of the Board Chairperson:

The governing body shall appoint the chairperson from among the members of the board. The qualifications of the board chairperson shall include the following:

- Be a person of moral integrity based on his/her past record of performance and commitment
- Meet a prescribed minimum level of education or its equivalent
- Meet a certain level of experience in a top management position in an organization or exhibit proven ability in management
- Have good inter-personal skills and an ability to work with people of diverse backgrounds

Duties of the Vice Chairperson of the Board:

- The vice chairperson shall be the deputy of the chairperson and shall perform the duties of the chairperson in his or her absence. The vice chairperson shall be elected from among the board members at the first meeting when the board is established.

Duties of the Secretary of the Board:

The organization's executive director shall serve as the secretary to the board and as a non-voting member of the board. As the secretary, the executive director extends his or her services in an honorary capacity. His or her duties and responsibilities shall include the following:

- Convene and prepare the agenda for board meetings in consultation with the chairperson
- Send to the board members the meeting invitation along with the agenda and other documents for the meeting and follow up for confirmation
- Take minutes during all board meetings, distribute draft minutes for board approval, and document the final approved minutes of the meetings
- Maintain all records of the board's deliberations and decisions
- Ensure proper implementation of the decisions of the board
- Prepare reports for presentation to the board

Duties of the Treasurer of the Board:

The treasurer must have a background in finance, accounting, and/or management.

The responsibilities of the treasurer shall include the following:

- Receive all financial reports pertaining to the organization and present the same to the board
- Chair the finance and audit committee of the board
- Advise the board on financial matters
- Scrutinize the organization's accounts in advance and clarify financial issues, especially those relating to capital expenditure, to the board
- Where the organization has a substantive Finance department, the role of the treasurer shall be to receive and present annual financial reports to the board for approval

STEP 4.1.4 – BOARD MEETING AGENDA

STEP NAME	BOARD MEETING AGENDA
Step Number	4.1.4
Organizational Role	Board members
Inputs	N/A
Outputs	N/A
Integration Points	N/A
Summary	Regularly scheduled board meetings will follow a set agenda to ensure all issues are discussed and/or completed.

Convening:

- The chairperson shall convene all board meetings through the secretary.
- In the absence of the chairperson, the vice chairperson may convene the meeting.
- The schedule of all board meetings shall be set annually or at the beginning of the fiscal or calendar year.
- After consultation with the chairperson, the secretary shall send formal meeting invitations to all board members at least 14 days in advance of the meeting.
- If both the chairperson and the vice chairperson are not able to attend the meeting, the meeting shall be postponed.

Frequency:

- All board meetings shall be convened at least on a quarterly basis or when necessary between scheduled times.
- The quorum for all meetings shall be at least 50% + 1 including the chairperson, vice chairperson, or another member designated to chair the meeting and excluding any persons in attendance who are not members of the board.[2]
- Special meetings may be called to address urgent matters provided that at least two days' notice is given to all members.

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2 At meetings, board members are usually considered *present*, while non-members are considered *in attendance*.

Every board meeting shall have a structured agenda that may contain some or all of the following information:

- Rollcall of members
- Reading and confirmation of previous meeting minutes
- Matters arising from previous meeting minutes
- Reports on the organization's operation as requested
- Substantive agenda for deliberation
- Any other business

It is recommended that the board begin the meeting by deliberating on any new business to allow adequate attention to new business while ensuring short and productive meetings.

Documents:

- All documents pertaining to a given board meeting shall be sent to all board members at least two weeks prior to the date of the meeting.
- The secretary shall ensure that all board members have received the documents within good time by conducting the necessary follow-up.

Confidentiality:

- The secretary shall ensure that all deliberations during all board meetings are kept strictly confidential.
- All board members shall be expected to observe confidentiality at all times.

Duration:

- Generally, all board meetings should not go beyond three hours unless it is extremely necessary.
- Any special board meetings are exempted from this general rule.

Board members shall endeavour to evaluate their conduct of their meetings as per *Appendix A: Board Meeting Evaluation Tool*.

STEP 4.1.5 – DESIGNATING COMMITTEES

STEP NAME	DESIGNATING COMMITTEES
Step Number	4.1.5
Organizational Role	Board members
Inputs	N/A
Outputs	N/A
Integration Points	N/A
Summary	It will sometimes be necessary to appoint within the board sub-groups called *committees* to handle specific tasks.

In some country programs, the size of the local partner organization is quite small and its structures consist only of a governing body or board of founders, board of management, and the executive team. However, in many other country programs, the local partner organization's structure is so robust that its board of management has several committees, for example executive, program, finance and audit, and human resource committees. In such cases, the following structures and functions of board committees are recommended:

Membership in committees of the board shall be based on the qualifications, experience, and skills required.

Reporting Relationships:

- All board committees shall deliberate on issues concerning their specializations and report to the board for the necessary approval before implementation of any decisions.
- The board shall deliberate on reports submitted by all committees and approve or suggest necessary amendments before implementation.
- Exceptions to the above shall be limited to decisions that committees are mandated to make and implement as stipulated in their terms of reference.

Potential Committees and Descriptions:

- Executive Committee
    - Shall have no fewer than three members and no greater than five members, who shall include the chairperson, secretary, treasurer/ chairperson of the finance committee, and executive director
    - Exercises the authority of the board subject to approval by the full

DAVID SNYDER FOR CRS

Locals in the village of Kravica, walk past a home built by CRS. The process of returning people displaced by the war in Bosnia-Herzegovina has been complicated and thousands still live in collective centers.

board. Acts on behalf of the board in emergency and interim periods between regularly scheduled board meetings.

- Program Committee
  - Ensures that the core business of the organization is carried out efficiently and effectively
  - Composed of two board members and selected heads of the various departments of the organization
- Finance Committee
  - Sets comprehensive categories of costs and revenue items for planning and budgeting
  - Develops an investment plan
  - Reviews and ensures that the organization's regular financial reports are accurate and timely
  - Develops financial policies and guidelines in line with generally acceptable accounting principles (GAAPs)
  - Screens, qualifies, and recommends to the board the appointment of external auditors
- Human Resource Committee
  - Establishes a staffing structure and human resource management plan and offers advice on how best to manage human resources in the organization
- Ad Hoc Committees
  - Where necessary, ad hoc committees may be created to address issues that do not fall within the purview of the other board committees
  - The terms of reference (TOR) for each committee so formed shall be clearly defined and stipulated, and made readily accessible to all concerned
  - Once an ad hoc committee has completed its task as mandated by the board, it shall cease to exist

STEP 4.1.6 – BOARD PERFORMANCE EVALUATION

STEP NAME	BOARD PERFORMANCE EVALUATION
Step Number	4.1.6
Organizational Role	Governing body
Inputs	N/A
Outputs	N/A
Integration Points	N/A
Summary	The board and its members shall be subject to performance review.

Overall Board Performance:

- The governing body or the appointing authority shall conduct an annual evaluation of the board's performance.
- Whenever possible or necessary, such an evaluation should be conducted by an external consultant hired by the governing body or appointing authority.
- This evaluation shall be based on a well-developed performance appraisal tool that institutions use such as tools currently used by the government. See *Appendix B: Board Evaluation Tool*.

Evaluation of Board Members:

- All board members shall be evaluated on the basis of a performance appraisal tool, which shall incorporate performance criteria.

Evaluation of the Chairperson:

- The chairperson shall be evaluated by the committee of the governing body.
- The evaluation shall also be based on an agreed performance appraisal tool.

Disclosure of Institutional Governance Achievements:

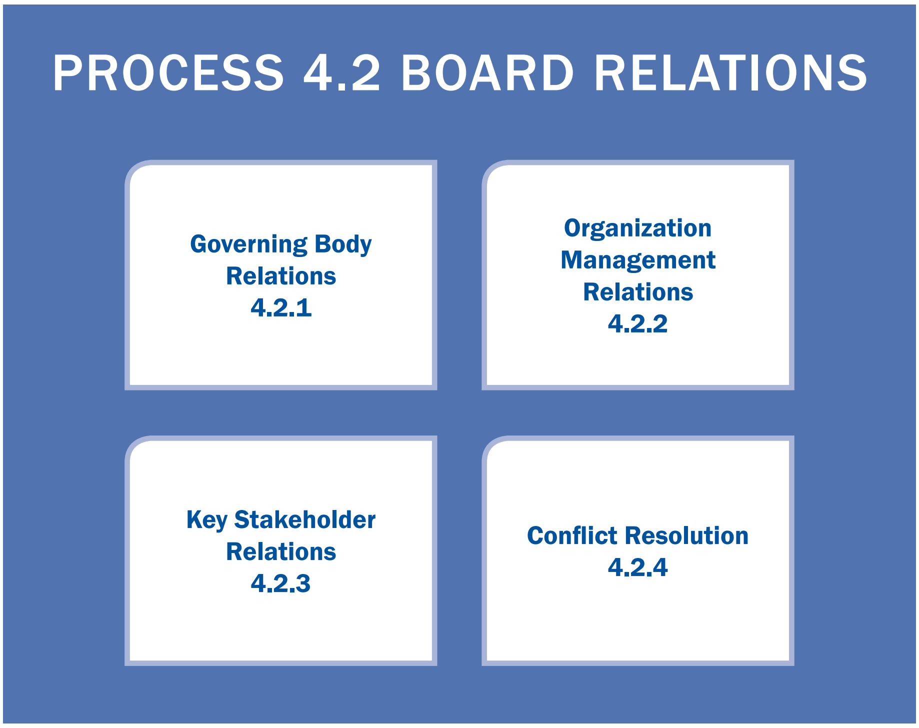
- The executive committee shall disclose organizational governance achievements to the board quarterly and to the stakeholders annually by way of an annual report.
- The board shall present the organization's annual report to the governing body, during the governing body's annual meeting.
- The annual report shall include a section on governance and board performance.

ICT BUSINESS PROCESS 4.2 – BOARD RELATIONS

PROCESS DESCRIPTION

It is important that the board maintain relationships with all key stakeholders of the business. These include the governing body, organizational management, local government, and others. Meeting obligations and performing the duties required to maintain these relationships is vital to the organization’s health.

PROCESS FLOW



STEP 4.2.1 – GOVERNING BODY RELATIONS

STEP NAME	GOVERNING BODY RELATIONS
Step Number	4.2.1
Organizational Role	Board members
Inputs	N/A
Outputs	N/A
Integration Points	N/A
Summary	The board must meet obligations in order to maintain relations with the governing body.

It is important that there exist healthy communication and a working relationship between the board and the governing body. This relationship must be respected and maintained at all times. Key aspects that must be considered and policy recommendations are as follows:

Appointment:

- The governing body shall be fully responsible for the appointment of members of the board. It may delegate this function to a representative of the governing body.

Development:

- The governing body shall have direct involvement in the orientation and development of all board members through training and other means.
- Relevant organs of the governing body shall be put in place to enhance the governing body's direct involvement in the orientation and development of the members of the board as well as to ensure general oversight of its decisions and activities and to ensure ownership.

The board must meet obligations in order to maintain relations with the governing body.

Compensation:

- The board shall create a reasonable compensation scheme (for all positions in the organization, including the executive director), which shall be approved by the relevant organ of the governing body.

Senior Staff Appointments:

- The board shall identify and appoint the executive director in consultation with the governing body.
- The board shall appoint senior organization management staff in consultation with the executive director.

Discipline of the Executive Director:

- The executive director shall answer to the board.
- The board shall be responsible for disciplining the executive director and shall inform the governing body of all decisions made.
- The governing body shall channel all issues pertaining to the executive director to the board for necessary action.

Remuneration and Continuous Development of the Executive Director:

- The board shall set reasonable remuneration for the executive director, taking into account his or her qualifications and experience and availability of resources.
- The board shall also conduct a joint training needs assessment with the executive director and jointly develop a training program for the executive director to ensure his or her continual development.

Public Relations:

- The board shall be responsible, in consultation with the board of trustees, for all public relations pertaining to the organization.

Social Responsibility:

- The board shall be responsible, in consultation with the governing body, for overseeing activities pertaining to social responsibility.
- The organization's management shall dedicate and plan for, with approval from the board, all activities pertaining to social responsibility.

The relationship between the governing body and the board shall be clearly defined and stipulated, and details of the same shall be made readily accessible to all concerned. The definition shall specify the following:

- Reference guidelines on the respective duties and responsibilities of the board and the governing body
- Structure of and relationships between the two
- Conflict resolution mechanisms
- Reporting relationship between the board and the governing body and vice versa
- Nature, scope, and content of all reports and/or issues to be submitted/consulted by the governing body

STEP 4.2.2 – ORGANIZATION MANAGEMENT RELATIONS

STEP NAME	ORGANIZATION MANAGEMENT RELATIONS
Step Number	4.2.2
Organizational Role	Board members
Inputs	N/A
Outputs	N/A
Integration Points	N/A
Summary	The board must meet obligations in order to maintain relations with the organization's management.

Clarity of Roles:

- The duties and responsibilities of the board and the management of the organization shall be clearly defined and readily accessible to all concerned.
- The management of the organization shall develop, in consultation with the board, all strategic plans for the organization.

Policy Formulation and Implementation:

- The board shall be responsible for policy formulation.
- Management of the organization shall be responsible for policy implementation.

Working Relationships:

- Management of the organization shall ensure that it seeks the necessary approval from the board and keeps the board informed on the implementation of its decisions.

Communication:

- There shall be constant communication between the board and management of the organization.
- The channels of communication shall be clearly defined, left open, and appropriately utilized.
- Communication shall normally be conducted between the board chairperson and the executive director unless otherwise delegated.
- The governing body shall channel all its communication to management through the board chairperson.

Performance Evaluation of the Executive Director:

- In coordination with the human resource committee, the board shall create performance indicators against which the performance of the executive director shall be evaluated.

Board of Management – Management of the Organization:

- The duties and responsibilities of the board and management of the organization shall be clearly defined and made accessible to all concerned.
- The board and management of the organization shall at all times adhere to their defined duties and responsibilities.
- Where lack of clarity exists the governing body may be called upon to facilitate interpretation for better understanding.
- If the mechanism referred to in the point above did not work, the board and management of the organization will bring in external resources to assist in resolving the difference.

STEP 4.2.3 – KEY STAKEHOLDER RELATIONS

STEP NAME	KEY STAKEHOLDER RELATIONS
Step Number	4.2.3
Organizational Role	Board members
Inputs	N/A
Outputs	N/A
Integration Points	N/A
Summary	The board must meet obligations in order to maintain relations with government ministries.

DAVID SNYDER FOR CRS

CRS beneficiaries walk back from a meeting in the village of Ajo in southern Ethiopia. Through a CRS-supported project, these women are now able to save money by pooling their efforts and resources to sell milk in a distant city.

Government ministries and other key stakeholders shall be represented in the board as ex-officio members. The organization shall do the following:

- Ensure regular reporting to the related government ministries.
- Adhere at all times to national policies, regulations, and standards set by the government.
- Actively participate in government activities including annual development planning and program sector forum.

There shall be regular and timely communication between the board and the government ministries to facilitate proper planning and implementation of the organization's activities.

The governing body may need to be involved in operational issues regarding legal status and engagement with external stakeholders.

STEP 4.2.4 – CONFLICT RESOLUTION

STEP NAME	CONFLICT RESOLUTION
Step Number	4.2.4
Organizational Role	Board members
Inputs	N/A
Outputs	N/A
Integration Points	N/A
Summary	All conflicts of interest must be disclosed immediately and handled according to established guidelines.

Disclosure of Conflicts of Interest:

- Any board member who has a direct and/or indirect interest in any contract and/or proposed contract with the organization shall disclose the nature of his/her interest to the board.
- Any member who discloses such an interest shall not be entitled to participate in any deliberation or vote on any issue pertaining to the said contract. When he or she does vote, his or her vote shall be null and void.
- The board shall develop guidelines clarifying how board members and management of the organization are to disclose any existing conflicts of interest.

The board shall ensure that it maintains good public relations with the relevant regulatory agencies.

All conflicts of interest must be disclosed immediately and handled according to established guidelines.

ICT BUSINESS PROCESS 4.3 – BOARD RESPONSIBILITIES

PROCESS DESCRIPTION

The myriad responsibilities of the board to an organization ensure that the organization is on the right track and continues on that track. These responsibilities include determining the status and strategy of an organization and overseeing certain key functional areas like finance, human resources, and compliance.

PROCESS FLOW

STEP 4.3.1 – ORGANIZATION STATUS

STEP NAME	ORGANIZATION STATUS
Step Number	4.3.1
Organizational Role	Board members
Inputs	N/A
Outputs	N/A
Integration Points	N/A
Summary	The board shall be responsible for determining the status of the organization concerning matters such as core business, legal status, and organizational structure.

Determination of Core Business:

- The board shall determine the core business of the organization and approve any new areas of program expansion/development.
- Core business shall be defined as clearly as possible to avoid any possible digression to non-core business that may give rise to regulatory issues with bodies such as the National Revenue Authority.

All organizations must have clear legal entity status.

Core Business Versus Other Priorities:

- There shall be no conflict whatsoever between the core business and any other businesses with which the organization may be involved, e.g., establishing and managing income generating activities as an additional source of income.

Legal Status:

- All organizations must have clear legal entity status.
- It is recommended that legal instruments pertaining to ownership are drafted to safeguard the autonomy and identity of the organization. This may create avenues for financial support from the government and other funding agencies.

Ownership and Autonomy:

- Unless expressly stated otherwise, the governing body shall at all times continue to be the owner of the organization.
- The nature and extent of any existing relationship with the government must be carefully negotiated and expressly stipulated.

- The core business of the organization shall be clearly defined to reflect the relationship between the organization and its governing body.
- The governing body shall develop its capacity to properly manage and account for any financial support received by the organization from the government and other funding agencies.

Organizational Structure:

- The organization must have a clear organizational structure that reflects clear linkages and relationship between the board and the governing body. A sample of a robust organization is included in *Appendix C: Sample Organizational Chart*.

STEP 4.3.2 – STRATEGY AND OPERATIONAL CONTROL

STEP NAME	STRATEGY AND OPERATIONAL CONTROL
Step Number	4.3.2
Organizational Role	Board members
Inputs	N/A
Outputs	N/A
Integration Points	N/A
Summary	The board has a responsibility to oversee the strategy of an organization, even going so far as to appoint the executive director.

Appointment of the Executive Director:

- The board shall, in consultation with the governing body, appoint the executive director of the organization.
- Where possible, an external professional recruiting consultant may be engaged to assist in the recruitment of an executive director. He or she shall be sourced by the board through a competitive tendering process.
- The board shall, in consultation with the relevant board of trustees, develop the qualifications and job description of the executive director.
- The executive director shall represent the organization in all technical meetings.
- The executive director shall ensure compliance with existing government regulations, standards, and guidelines.

Vision, Mission, and Strategic Objectives:

- The board shall be fully involved in developing the organization’s strategic plan as well as in shaping its vision, mission, and core values. The governing body shall be consulted in determining the vision to ensure consistency with the board of trustees’ vision.
- Management of the organization shall develop the organization’s strategic plan through a participatory process involving input from all departments and sections.
- Management of the organization shall present to the board the formulated strategy for its approval.

- All strategic plans shall have a clear execution plan articulated in annual operational plans or the annual plan of activity.

Management Performance Evaluation:

- The board shall conduct a performance evaluation of management of the organization.
- It shall create clear guidelines detailing under which circumstances the governing body shall be involved in this process.

Performance Reports:

- There shall be clear guidelines on the nature and contents of all reports to be prepared by management of the organization and presented to the board.
- Management of the organization shall be responsible for submitting to the board regular, accurate, and timely reports on the performance of the organization.
- The board shall evaluate all submitted reports and assess the risks inherent in said reports.

Risk Management:

- Management of the organization shall be responsible for managing the organization’s risks.
- The board shall provide necessary leadership in the identification, analysis, evaluation, and management of potential risks for the organization.

STEP 4.3.3 – HUMAN RESOURCES RESPONSIBILITIES

STEP NAME	HUMAN RESOURCES RESPONSIBILITIES
Step Number	4.3.3
Organizational Role	Board members
Inputs	N/A
Outputs	N/A
Integration Points	N/A
Summary	The board shall ensure that fair human resources (HR) policies are enacted and may need to form an HR committee to handle more menial details.

The following general responsibilities of the board in regard to human resources shall apply to all organizations regardless of the size and the structure of the organization:

- The board is responsible for setting and ensuring compliance with national law and organizational standards. The by-laws adopted by the board must conform to applicable national and local labor and occupational health and safety law.
- The board commits to conducting at least one audit each year to assess safety and security of all operations. Should it be required, the board will engage an occupational health and safety specialist to conduct the audit.
- At each board meeting, the board will receive and review a safety and security report from the executive director of the organization.
- The board further commits to allocate sufficient financial, human, and material resources to the health and safety function of the organization.

The board is responsible for setting and ensuring compliance with national law.

A Human Resources committee will be established by the board to carry out further responsibilities.

In relation to staff policies, the Human Resources committee will be responsible for the following:

- Implementing and ensuring organizational commitment to staff safety and security
- Establishing a staffing structure and human resource management plan that offers advice on how best to manage human resources in the organization and reviewing it every year to ensure optimum staffing levels to carry out the core functions of the organization

- Approving the negotiation parameters and contents of the organization's employment contract, including the establishment of remuneration guidelines and the review of the reasonableness of proposed staff pay rates and the equity and fairness of the remuneration setting process
- Defining the performance indicators for all positions in the organization
- Reviewing and recommending annual human resource development plan
- Ensuring that all non-national staff comply with the laws of the country
- Reviewing all existing staff appraisal tools to ensure that they are up-to-date and reliable

Management of the organization shall conduct staff appraisals on all staff annually.

In relation to the executive director, the Human Resources committee will be responsible for the following:

- Recruiting and screening all candidates for the position of executive director and forwarding the same to the board for appointment
- Annually reviewing, in consultation with the board, the executive director's and management's remuneration packages
- Reviewing and approving the recommendations made in consultation with the executive director in relation to the performance and remuneration of staff
- Defining the executive director's duties and responsibilities in consultation with the board (The board may competitively source the services of an external consultant who will assist in the development of duties and responsibilities of the executive director as well as assist in developing and negotiating performance contracts.)

In relation to key positions in the organization, the Human Resources committee will be responsible for the following:

- Interviewing candidates for senior management and technical positions and recommending to the board for appointment (All key positions in the organization shall have proper job descriptions to ensure that their appointment by the relevant authority is properly done.)
- Ensuring the implementation of the process relating to the review of directors' and committee members' allowances
- Developing a human resource policy for the organization and approving delegation of authority and other key human resource management procedures

- Providing advice and guidance to the executive director on resolving human resource management issues of substance, such as staff development and discipline
- Considering important human resource management issues such as management succession planning and knowledge management
- Setting policies aimed at promoting continuity within management of the organization, including a succession plan that shall detail how key positions in the organization shall be managed when they fall vacant

In relation to compensation, the Human Resources committee will be responsible for the following:

- Setting policy on fair remuneration to promote staff retention and motivation
- Developing a comprehensive guideline for the levels of compensation/ reward, based on resource and income generation capacity as well as the existing local market
- Defining a minimum salary scale for each level of staff
- Developing strategies to motivate employees through other financial and non-financial benefits and bonuses that are not tied to salary/compensation
- Conducting periodic review of the salary structure and compensation system

STEP 4.3.4 – FISCAL RESPONSIBILITIES

STEP NAME	FISCAL RESPONSIBILITIES
Step Number	4.3.4
Organizational Role	Board members
Inputs	N/A
Outputs	N/A
Integration Points	N/A
Summary	The board shall serve as a high-level approver of finances for the organization and will schedule regular audits to ensure compliance.

Every organization should have a fully functional finance and audit committee, which shall set comprehensive categories of costs and revenue items for planning and budgeting. Its responsibilities will include the following:

- Reviewing, monitoring, and recommending improvements to internal control and financial reporting processes
- Overseeing the organization's internal and external audit processes
- Providing independent advice to the board on matters pertaining to the organization's accountability and financial responsibility
- Sourcing and proposing to the full board external auditors for appointment
- Negotiating audit fee and recommending to the board
- Reviewing budget proposals
- Monitoring implementation of the organization's procurement policy
- Meeting at least four times each year

Every organization should have a fully functional finance and audit committee.

Resource Mobilization:

- The organization shall endeavor to develop a resource mobilization plan in consultation with the board and mobilize resources from the government, the private sector, development partners, and other donors.

Investment Plans:

- It is highly recommended that the organization develop a clear investment plan under the leadership of its board.

Financial Reports:

- Management of the organization shall ensure that the organization regularly submits accurate and timely financial reports.
- All financial reports shall meet the set criteria of acceptable standards.

As it pertains to financial control, the responsibilities of the board shall include the following:

- Supporting the development of financial policies and guidelines in line with generally acceptable accounting principles (GAAPs), which are well documented and widely known by all users
- Spearheading trainings in integrity and leadership
- Creating a clear structure on separation of duties and responsibilities to promote financial accountability and transparency
- Regularly reviewing and evaluating implementation of financial policies and guidelines

Financial Audits

- The board shall set clear guidelines to clarify the separation of the financial audit function from the broader management function.
- An internal auditor will be responsible for continuous review and strengthening of internal control systems and procedures.
- The internal auditor shall report the day-to-day financial operations as necessary and as requested by the finance and audit committee.
- The organization shall conduct comprehensive (i.e., on all systems in the organization other than the financial systems) audits.
- The books of accounts shall be maintained and externally audited annually by an external auditor appointed by the board.
- The external auditor shall present its report to the board and/or the mandated committee of the governing body.

STEP 4.3.5 – COMPLIANCE WITH POLICIES AND REGULATIONS

STEP NAME	COMPLIANCE WITH POLICIES AND REGULATIONS
Step Number	4.3.5
Organizational Role	Board members
Inputs	N/A
Outputs	N/A
Integration Points	N/A
Summary	The board shall ensure that management of the organization adheres to all existing internal policies and procedures.

Constitution:

- The organization shall have a legalized constitution and ensure that it adheres to their existing governing body's bylaws and to local laws and regulations.
- Any requests for exemption(s) from the terms of the constitution shall be in writing and subject to the written approval of the board.
- The organization shall create a code of conduct, which shall be developed in consultation with the board and employees at all levels and shall be consistent with the constitution of the board of trustees.

Compliance With Internal Policies:

- The board shall ensure that management of the organization adheres to all existing internal policies and procedures.
- A systems audit may be conducted annually or when necessary to ensure compliance.

Professional Bodies:

- Management of the organization shall ensure that all professional staff members of the organization are registered with the relevant regulatory agencies.

Statutory Requirements:

- Management of the organization shall ensure that the organization complies with all existing and relevant statutory requirements such as operating licenses, the national social security fund, the national revenue authority, the pensions fund regulatory authority, etc.

DAVID SNYDER FOR CARITAS INTERNATIONALIS

Caritas Haiti staff members conduct site visits in a town where 40 families received building materials to help rehabilitate their homes following three hurricanes in 2008.

- Dialogue with the relevant regulatory agencies shall be initiated and encouraged at different levels by the organization, depending on the nature of issues to be addressed.

Trade Unions:

The board and management of the organization shall do the following:

- Ensure cordial and respectful relationship with all relevant trade unions
- Recognize the rights of all employees to join a trade union of their choice where relevant
- Facilitate an enabling environment for dialogue and negotiations to promote harmonious industrial relations

Relevant Government Agencies:

- Management of the organization shall ensure that the organization complies with all existing national policies, standards, guidelines, and regulations set by the relevant government agencies.
- To ensure that the organization submits all its reports regularly to the government ministries, management shall specify the time and date on which all such reports shall be submitted by the relevant departments.

International Conventions:

- Management of the organization shall ensure that the organization observes all international conventions and treaties pertaining to various program sectors and to which their country is a signatory.
- The board and management shall be fully sensitized on the contents and importance of these international conventions.

Agreements with Development Partners:

- The board and management of the organization shall ensure that the terms and conditions of all contracts, memoranda of understanding (MOU), and any other agreements with development partners, including funding agencies, are carefully negotiated and scrutinized through a review by the agency's legal department before they are signed.
- The board and management of the organization shall ensure that the organization duly complies with the terms and conditions of any such agreement.

STEP 4.3.6 – POLICY IMPLEMENTATION AND REVIEW

STEP NAME	POLICY IMPLEMENTATION REVIEW
Step Number	4.3.6
Organizational Role	Board members
Inputs	N/A
Outputs	N/A
Integration Points	N/A
Summary	The board shall oversee the process of creating new policies and amendments by following pre-existing guidelines.

Management Responsibility:

- The board may seek technical support in the dissemination, adoption, and implementation of these policy guidelines.
- Management of the organization shall be responsible for coordinating the implementation of these policy guidelines in their respective facilities.

Policy Implementation and Dissemination:

- These policy guidelines shall be implemented in consultation with the board of trustees and other relevant stakeholders.
- These policy guidelines shall be disseminated to management, the board of trustees, and other relevant stakeholders using the full range of information and communication system available to each facility.

Monitoring and Evaluation:

- The organization, in consultation with the board, shall develop a monitoring and evaluation (M&E) system to monitor the effective implementation of these policy guidelines.

Policy Guidelines Review:

- These policy guidelines shall be reviewed periodically as the need arises, and revised where necessary, in consultation with the governing body.

Amendments:

- Where an organization adopts these policy guidelines, any additions, alterations, or amendments to its governance policy shall be in writing and subject to the approval of its board in consultation with its governing body.

Approval for Dissemination and Adoption:

- The dissemination, adoption, and implementation of these generic policy guidelines by the organization are contingent upon approval of the organization's board.

COMPLIANCE CHECKLIST FOR GOVERNANCE

The Organization of Economic Cooperation and Development (OECD) defines *corporate governance* as "the system by which business corporations are directed and governed. The governance structure specifies the distribution of rights and responsibilities among different participants in the corporation, such as the board, managers, shareholders, and other stakeholders, and spells out the rules and procedures for making decisions on corporate affairs. By doing so, it also provides the structure through which the company objectives are set, and the means of attaining those objectives and monitoring performance."

- The key to corporate governance is the distribution of rights and responsibilities across the entire business. Critical to good governance are the systems below the board and the distribution of rights and responsibilities that ensure the tone, objectives, and expectations cascade throughout the organization and down to every individual.[3]
- The persons charged with governance in an organization are often referred to as the board of directors. The role of the board is to develop and execute strategy; therefore a governing body must have the right mix, the right skills, and the right attitudes.[4]

The key to corporate governance is the distribution of rights and responsibilities across the entire business.

Issues of governance, risk management, and compliance have to be addressed at the highest level of the organization, and should be integrated as part of the business processes.

Various governance authorities and best practices across countries and across contexts identify the following as key pillars in institutional governance:

- Laying a solid foundation for management and oversight
- Structuring the board of directors to add value to the organization
  - Recognition and protection of the rights and obligations of all stakeholders
  - Strategy and values
  - Institutional performance, viability, and financial sustainability

3 OCEG. (2010). *Measurement and Metrics Guide*. Retrieved from http://www.oceg.org/view/MMG. Available only to premium members.

4 Adapted from International Federation of Accountants. (2010). *Handbook of International Quality Control, Auditing, Review, Other Assurance, and Related Services*. New York, NF: International Federation of Accountants. Retrieved from http://web.ifac.org/publications/international-auditing-and-assurance-standards-board/handbooks.

- Timely and balanced disclosures
- Remunerating fairly and responsibly
- Strengthening internal control procedures
- Assessment of performance of the board and management
- Recognition and management of institutional risk
- Social and environmental responsibility
- Institutional compliance with laws and regulations
- Institutional communication

The following are the objectives of the compliance reviews of governance:

- To determine that there are appropriate persons in the organization with the responsibility to oversee the strategic direction of the entity
- To establish if the entity has established missions and goals that are shared with and understood by employees
- To establish if there is effective planning to accomplish stated goals
- To establish that there are effective controls to monitor the performance of the entity
- To establish if there are controls to monitor progress towards the achievements of goals
- To establish if the entity complies with legal and regulatory requirements[5]

CORPORATE GOVERNANCE CHECKLISTS

Determine/assess that appointment of board of directors of the organization is in line with the guidelines stated in the bylaws/constitution of the entity. Evaluate the appointment process of the board and ascertain if it meets the minimum basic requirements of good governance. Obtain responses to the following:

- Does the organization have a board of directors? If so, ascertain the names of the members and their qualifications.
- Does the board report to another board or other bodies? If so, establish the independence of those charged with governance of the board of directors.
- How are the members of the board appointed?
- Does the organization have regulations or rules for the appointment?
- Who is responsible for the selection of the board members? Is there a search or nominations committee?

5 Ibid.

- How does the organization evaluate the appointment process to ensure that all board members are appointed following due process?
- Are there established tenures or periods of appointment? If so are there policies and procedures for reappointments?

Review to ascertain how the organization ensures that only individuals with the right skills and experience are appointed to the board. Obtain responses to the following questions:

- Does the organization have basic qualification academic and non-academic requirements that are used to evaluate candidates for board membership?
- Are there established criteria for the appointment of a board member?

Evaluate the composition of the board of directors and ascertain its suitability for the management of the organization. Obtain responses to the following questions:

- What is the composition of the board? Does the board have the right mix of executive and non-executive members?
- What is the size of the board? How many members are executive and non-executive?
- How does the organization ensure that the governing body is not too large or small for the organization concerned?[6]

Review to establish if the board has clear duties and responsibilities for carrying out their business. Obtain responses to the following questions:

- Are the responsibilities of the board members well defined? Do board members understand their responsibilities? Are the duties of the chairman and secretary well defined and clearly communicated?
- Are the roles of those charged with governance or members of the board well defined and clearly communicated?
- Is there a transparent and clear structure of responsibility differentiating between what the board can do and what managers and employees can do?
- Are those charged with governance given clearly defined terms of reference?
- Are members of the board trained and inducted in their responsibilities?
- Is there any training provided for those members? How regular is the training?

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6 Council on Quality and Leadership. (2003). Guide to Developing and Supporting a Board of Directors. Retrieved from http://www.thecouncil.org/tools.aspx

Review and assess the conduct, process, documentations, and effectiveness of board meetings in the organization. Obtain responses to the following questions:

- How do the persons charged with governance or the board of directors conduct their business in the organization? Does the board conduct its business through meetings? If not, specify ways in which it conducts business.
- Are there established procedures for the organization of meetings? If so, documents all procedures and ascertain the process and practices.
- If the procedures for conducting meetings are laid out, do they cover the development of the agenda, frequency of the meeting, notification process for the meeting, documentation of the meeting (minutes), and confidentiality matters?
- Does the board chairman convene meetings through the secretary? If so, is the frequency of meetings adequate?
- Are meeting agendas circulated in time?
- Are resolutions of the board recorded and implemented?
- (Adapted from IFAC *Handbook of International Quality Control, Auditing, Review, Other Assurance, and Related Services.*)

Review to establish the organization's role in fighting bad governance. Obtain responses to the following questions:

- Does the organization have a separate fraud, corruption, and whistle-blowing policy? If so are the policies made known to all the members charged with governance as well as employees of the organization?
- Do the persons charged with governance procedures monitor frauds and bad governance practices in the organization? If so how are they monitored?
- Does the board have any ethical guidelines for its operations? If so how are these guidelines implemented?
- Does the board review the ethical guidelines regularly? If so, how often and who is responsible for its review?

Review to establish if the performance of the board is monitored and the monitoring mechanisms are adequate. Obtain responses to the following questions:

- Are the performance of the board and its committees reviewed? If so, does the organization have procedures or guidelines for reviewing governance performance?
- Does the organization have performance indicators set for those in charge of its governance?

- Are reports produced detailing the board's and subcommittees' objectives for the year and progress against these objectives?
- Who handles appraisals of governance in the organization?
- How often are appraisals of governance done?
- Does the organization have external and internal reviewers such as external auditors, internal auditors, and an audit review committee? Do they produce reports regularly and on time?
- Does the organization undertake a review to ensure that board members have not become ineffective?
- Review the process of monitoring the performance of the board and its effectiveness.

Review and assess the effectiveness of governance practices for the development of organizational policies. Obtain responses to the following questions:

- Does the organization have a mission statement?
- Is the mission stated clearly and concisely?
- Is the mission consistent with laws, regulations, and the organization's values?
- Has management set operational goals for the organization?
- Do these operational goals support the mission?
- Are these operational goals stated in measurable terms?
- Are the goals further divided into sub-goals for operating units?

Review to establish the board's role in the implementation of these policies. Obtain responses to the following questions:

- Does the organization have compliance officers or internal auditors? If so, do they report their findings to the audit committee?
- Are the recommendations of the compliance officer, internal auditors, external auditors, and/or the audit committee implemented? Does the audit committee take responsibility for ensuring implementation of audit recommendations?
- Does the board assume a risk management role or assign the role to another body, for example a subcommittee in charge of risk management?[7]

7 Ray, Kastuv. (2003). Corporate Governance Internal Control Questionnaires." Retrieved from www.auditnet.org/docs/ICQs/CorporateGovernance.doc

LEGAL ENVIRONMENT COMPLIANCE

Governing laws and regulations constitute the legal and regulatory framework for the organization. These laws and regulations include the NGO statutes, Companies Act, and any other statutory regulations. Non-compliance with laws and regulations may result in fines, litigation, or other consequences for the organization.

The persons charged with governance of an organization have the responsibility to ensure that the organization operates in accordance with the provisions of laws and regulations.

The following are the objectives for this review:

- To obtain sufficient appropriate review evidence regarding compliance with the provisions of those laws and regulations generally recognized to have a direct effect on the operation of the organization
- To perform specified compliance reviews to help identify instances of non-compliance with laws and regulations
- To test prompt response to non-compliance or suspected non-compliance with laws and regulations

LEGAL REVIEW CHECKLIST

The review should provide general understanding of the entity and its environment in accordance to the following:

Review to establish legal registration:

- Establish the organization’s legal registration. Does the organization have a registration certificate?
- Obtain copies of all legal certifications, licenses, and permits of operations and examine the legal status.
- Establish other legal registration requirements such as the operating license, certifications from the statutory authorities, and others.
- Obtain copies of the certificates of registration and ascertain if the entity meets all registration requirements.

Reviews to establish non-compliance with laws and regulations:

- Check if there are investigations by regulatory organizations or government departments. This may be sign of non-compliance.
- Check for payments for unspecified services and any unusual payments to any regulatory bodies. This may be proof of fines for non-compliance.

- Check for any adverse media comments on the organization. This may indicate non-compliance.

Review to establish the existence of internal laws and regulations such as the articles and memorandum of association, constitution, club rules and regulations, and all other regulations that govern operations:

- Obtain copies of the internal laws and regulations and note if all are sufficient to function as internal regulations.
- Establish the entity's reporting requirements such as statutory returns, reports, and others periodic requirements.
- Examine all reporting requirements to ascertain the organization's compliance with reporting requirements.

Review the organization's legal situation:

- Does the organization have any legal cases to answer? If so, establish the liabilities that may arise?
- Does the organization have attorneys or lawyers to handle legal matters?

Review to obtain evidence of the board's role in maintaining compliance with laws and regulations:

- Check for evidence of monitoring of legal requirements and ensuring that the operating procedures are designed to meet the requirements.
- Check for the operation of the appropriate internal control system established to ensure compliance with laws and regulations.
- Check for the development of internal laws and regulations for proper conduct and ethics in the organization.
- Check if employees are trained and are aware of the internal regulations and laws.
- Check for the monitoring of the internal laws and regulations.
- Check if the organization engages the services of a legal advisor.
- (Adapted from IFAC *Handbook of International Quality Control, Auditing, Review, Other Assurance, and Related Services*.)

HILDA M. PEREZ FOR CRS

In Mexico, indigenous communities struggle as their land rights are questioned, their forest depleted by logging, and they face increased malnutrition and scarcity of food.

GLOSSARY

Below is a glossary of terms that have been used in this document. The users of these guidelines may modify the interpretations given to these terms to suit their respective needs, provided that they do not distort their meaning as used in the document.

Accountability

The acknowledgement and assumption of responsibility for actions, decisions, and policies within the scope of an individual's duties and responsibilities and encompassing the obligation to report, explain, and be answerable for the resulting consequences of his or her actions.

Authority

A claim of legitimacy, justification, and right to exercise power that an individual has by virtue of his or her duties and responsibilities. It includes the power to make decisions and to command or require another to do certain things.

Beliefs and values

The underlying principles of what an institution believes to be moral, ethical, and right. They form the foundation of an institution and guide the behavior of its employees and the nature of activities in which it engages.

Board

The governance body charged with operations oversight, such as the board of management or board of directors.

Board member

A member of the board of management or board of directors.

Board members

The chair and any other individuals who have been appointed by the relevant appointing authority to be members of the board for a specified term.

Code of conduct

A standard of moral and ethical behavior that is expected or prescribed by the board.

Conflict of interest

A situation in which a person in a position of trust has competing professional or personal interests that directly or indirectly compromise his or her ability to fulfill his or her duties impartially and in the best interests of his or her employer. A conflict of interest exists even if no unethical or improper act results from it.

Disclosure

The giving out of timely and accurate information and accountability reports, either voluntarily or in compliance with legal regulations or workplace rules. These reports include management circulars as well as annual and interim financial statements.

Diversity

Disagreements and opposing points of view of members of the board when deliberating on issues.

Duty of care

The duty of board members to adhere to a reasonable standard of care expected of others in a similar position while exercising their powers and discharging their duties and responsibilities. This means that they must at all times act in good faith and in the best interests of the organization by exercising the due care and diligence that a reasonably prudent person would exercise in comparable circumstances.

Empower

Developing the capacity of individuals with necessary skills and information and delegating duties and responsibilities to enable them to act.

Evaluation

The process of measuring the performance of an organization and its employees against established and desired benchmarks that are based on the organization's values, standards, goals, and objectives.

Executive relationship

The relationship between the board of directors, the chairperson, and the board of trustees.

Governance

A structure and process to direct and monitor decisions pertaining to the management of the affairs of an institution.

Governing Body

The owner of the institution, e.g., dioceses, congregation, Episcopal conference, etc.

Intellectual property

Intangible creations of the mind such as musical, literary, and artistic works; inventions; and symbols, names, images, and designs used in commerce, including copyrights, trademarks, patents, and related rights.

Mission

The underlying reason for the existence of an institution or corporation.

Policy

A deliberate plan of action by the board to guide decisions and achieve rational outcomes. While law can compel or prohibit behavior, a policy merely guides actions toward those that are most likely to achieve a desired outcome.

Proactive

The ability of an individual to anticipate and see a situation as an opportunity, regardless of how threatening it appears and to influence the system constructively instead of merely reacting to it.

Procedure

A set of guidelines developed by an organization determining how internal policies are to be interpreted, executed, and implemented to ensure that the most desirable results are obtained irrespective of the circumstances.

Protocol

The terms of reference and set criteria for conducting specific activities in an institution.

Prudence

The caution exercised in the manner in which an individual conducts him- or herself as it pertains to organizational and individual performance.

Strategic leadership

How an institution intends to realize its goals and objectives when taking advantage of opportunities and addressing challenges that arise.

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APPENDIX A:
BOARD MEETING EVALUATION TOOL

BOARD MEETINGS EVALUATION TOOL			
	OK	NEEDS IMPROVEMENT	SUGGESTIONS FOR IMPROVEMENT
1. The agenda was clear, supported by the necessary documents, and circulated prior to the meeting.			
2. All board members were prepared to discuss materials sent in advance.			
3. Reports were clear and contained needed information.			
4. We avoided getting into administrative/ management details.			
5. A diversity of opinions was expressed and issues were dealt with in a respectful manner.			
6. The chair guided the meeting effectively.			
7. Members participated responsibly.			
9. Next steps were identified and responsibilities assigned.			
9. All board members were present.			
10. The meeting began and ended in time.			
11. The meeting venue was conducive to work.			
12. We enjoyed being together.			

APPENDIX B: BOARD EVALUATION TOOL

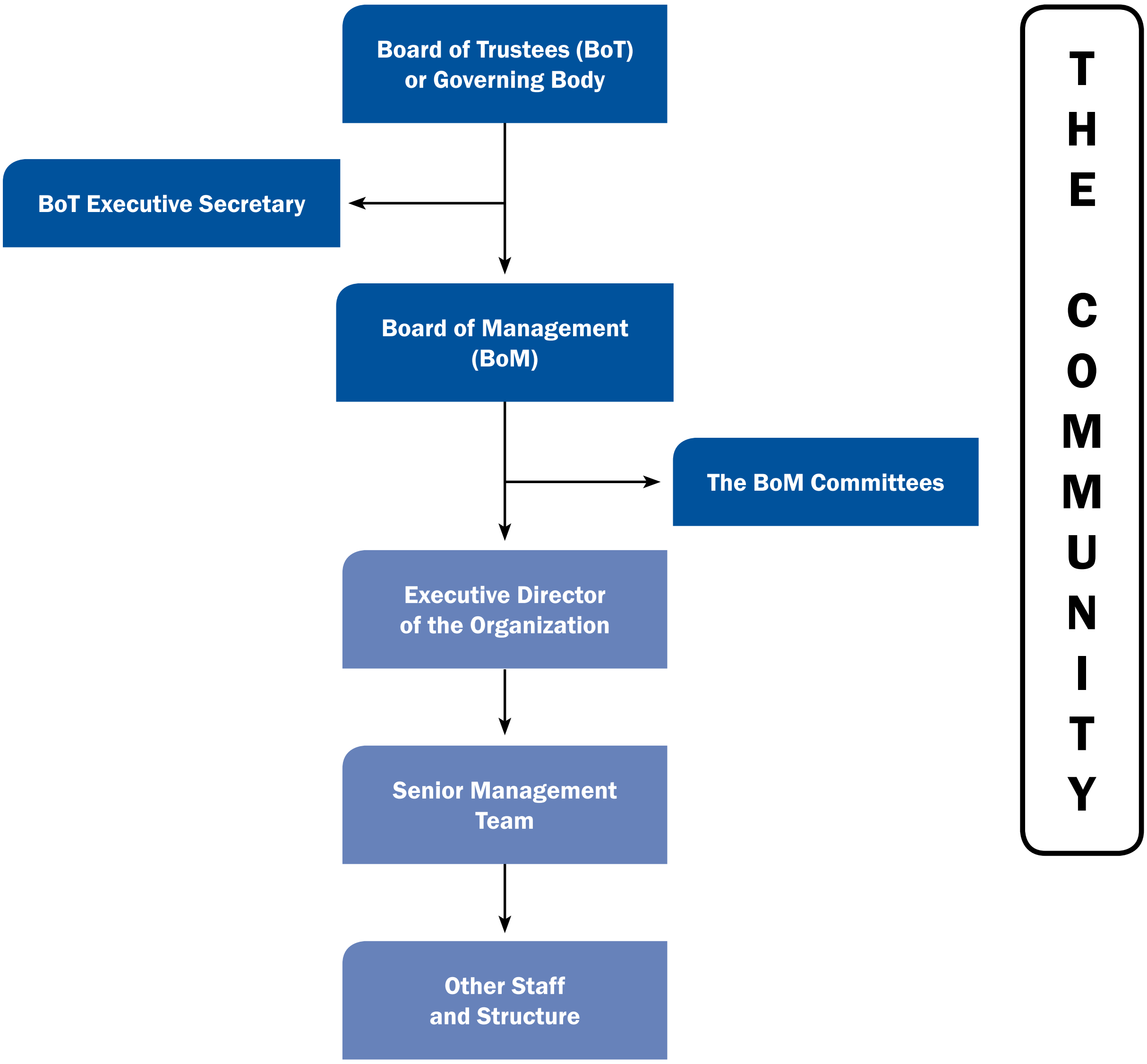
On a scale of 1–5, valuate your board on the following issues

(**5** – Very Good, **4** – Good, **3** – Average, **2** – Fair, **1** – Poor, **NA** – Not Applicable)   Best possible total score: 100

#	INDICATOR	5	4	3	2	1
1	The roles of the board and staff are well defined and respected.					
2	The board participates fully in visioning and strategic planning.					
3	Each board member has an up-to-date job description and has signed it.					
4	The board sets fund raising goals and is involved in the generation of resources.					
5	The board's nominating process ensures that membership is appropriately diverse.					
6	Board members receive initial orientation and ongoing training, including mentoring.					
7	The board regularly reviews the policy documents.					
8	The board has a process for handing urgent matters between meetings.					
9	The board has an attendance policy and an annual calendar of meetings.					
10	Meetings have written agendas and materials are distributed in advance of the meeting.					
11	The board has a process for managing conflict.					
12	An audit or financial review occurs annually.					
13	The board is involved in accurate reporting of programs and financial resources.					
14	The board has a process to regularly review staff performance.					
15	The board has comprehensive personnel policies that have been reviewed by the human resource committee.					
16	Each board member feels involved and interested in the board's work.					
17	The board takes time regularly to understand affiliation with professional and regulatory bodies.					
18	Care is taken that necessary skills and professional expertise are present on the board.					
19	The board keeps abreast of and follows national government guidelines and regulations.					
20	The board is proactively engaged in consultation with their community and properly communicates community concerns to the board of trustees.					

Please list three to five points on which you think the board should focus its attention in the next year. Be as specific as possible.

APPENDIX C: SAMPLE ORGANIZATIONAL CHART



CARL D. WALSH FOR CRS

Great Lake Cassava Initiative beneficiaries wait to receive their cassava seed the Democratic Republic of the Congo.

APPENDIX D: TERMS OF REFERENCE FOR THE BOARD EXECUTIVE COMMITTEE

1. APPOINTMENT OF EXECUTIVE COMMITTEE

The board may appoint the executive committee to serve the purposes set forth in these Terms of Reference, and delegate the duties and responsibilities set forth herein to the executive committee.

The executive committee will report to the board as provided below.

2. PURPOSE

The executive committee may exercise the authority of the board in the management of the affairs of the organization when the board is not in session.

3. COMPOSITION

The executive committee shall be composed of five members including the chairperson of the board. The chairperson of the board may chair the committee or delegate this authority to another member. The Executive Director shall be the secretary of the committee.

4. DUTIES AND RESPONSIBILITIES

The committee shall have the following specific duties:

- Exercise, in circumstances in which it is impossible or impractical to convene a meeting of the board and after receiving the appropriate delegation from the board, the powers of the board as they relate to the approval of, authorization for, or consent to any institutional action of the organization that would otherwise require the approval of the board itself.
- Provide a forum for organization management to seek comment in an informal manner on broad policy and planning matters relating to the administration of the organization before their presentation to and approval by the board or by its committees.
- Review and approve selective human resources transactions involving senior staff, in particular decisions related to hiring, termination, and promotion.
- Review and approve changes to the commitment and signing policies of the organization

- Report to the board in respect of such matters arising from the performance of the foregoing duties.

5. MEETINGS

The committee shall meet at such times as it may determine or upon notice from the chairperson.

6. DECISIONS

The Executive Director/Secretary shall keep and maintain books containing the minutes of the proceedings of each meeting of the committee.

Minutes of each meeting of the committee, or a summary of those minutes, shall be submitted to the next occurring meeting of the board.

APPENDIX E:
TERMS OF REFERENCE FOR THE FINANCE AND AUDIT COMMITTEE

The finance and audit committee reviews, monitors, and recommends improvements to internal control and financial reporting processes, and oversees Finance's internal and external audit processes. It provides independent advice to the Executive Director and the board on matters pertaining to Finance's accountability and financial responsibility.

Specific Terms of Reference include the following:

Financial reporting

Oversee the organization's financial reporting processes on behalf of the board and report the results of its activities to the board.

Assessment of accounting, financial, and internal controls

Discuss with management and the external auditors the adequacy and effectiveness of the accounting and financial controls; review with the external auditor any audit problems or difficulties and management's response.

Risk management framework

Provide periodical reports to the board on the most significant risks facing the organization and the mitigation strategies and practices adopted by management.

Appointment of external auditors

Make recommendations to the board on choice and performance of the external auditors and on resolution of disagreements between management and the auditor regarding financial reporting. The committee shall not recommend the engagement of the external auditors to perform any non-audit/assurance services that may impair their independence.

Assessment of the external audit

At least on an annual basis, discuss with the external auditors the audit firm's internal quality control procedures and any issues which have been identified by other entities regarding such procedures.

Independence of the external auditors

Review and assess the independence of the external auditor.

Scope of the external audit

Discuss with the external auditors the overall scope of the external audit, including identified risk areas and any additional agreed-upon procedures. The committee shall also review the external auditor's compensation to ensure that an effective, comprehensive, and complete audit can be conducted for the agreed-upon compensation level.

Appointment and oversight of internal auditor

Appoint and review performance of the internal auditor; review the overall scope, annual plans, and budget for internal audit activities; review all key internal audit reports; maintain direct access to the internal auditor, who reports to both the committee and the executive director.

Communications with stakeholders

Review the annual financial report and annual audit and any other matters required to be communicated to the committee by the external auditors under generally accepted auditing standards; review all representation letters signed by management to ensure that the information provided is complete and appropriate; establish procedures for the receipt, retention, and treatment of complaints received by the company regarding accounting, internal accounting controls, or auditing matters, as well as the confidential, anonymous submission by employees of the organization of concerns regarding questionable accounting or auditing matters.

Committee performance

Perform an evaluation of its performance at least annually to determine whether it is functioning effectively in compliance with current best practices.

Disclosures

The institution should provide auditors with full disclosure of all the significant events in a representation letter documenting the facts.

Follow up and closure

Management shall develop a corrective action plan and the committee should follow up for closure.

MATTHEW BREMAN/CRS

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.

APPENDIX F: CORPORATE GOVERNANCE CHECKLIST

Determine/assess that the appointments of board members of the organization are in line with the guidelines stated in the bylaws/constitution of the entity. Evaluate the appointment process of the board and ascertain if it meets the minimum basic requirements of good governance. Obtain responses to the following:

- Does the organization have a board that provides oversight of the operation? If so, ascertain the names of the members and their qualifications where possible.
- Does the board report to another board or other bodies? If so establish the independence of those charged with governance or board duties.
- How are the members of the board appointed?
- Does the organization have regulations or rules for the appointment?
- Who is responsible for the selection of the board members? Is there a search or nominations committee?
- How does the organization evaluate the appointment process to ensure that all board members are appointed following due process?
- Is there an established tenure or period of the appointment? If so are there policies and procedures for reappointments?

Review to ascertain how the organization ensures that only individuals with the right qualifications are appointed to be members of the board. Obtain responses to the following:

- Does the organization have basic qualification requirements, both academic and non-academic, that are used to evaluate candidates for board member?
- Are there established criteria for the appointment of a board member?
- Evaluate the composition of the board and ascertain its suitability for the management of the organization.
- What is the composition of the board? Does the board have the right mix of executive and non-executive members?
- What is the size of the board? How many members are executive and non-executive?

- How does the organization ensure that the governing body is not too large or small for the organization concerned?

Review to establish if the board has clear duties and responsibilities for carrying out their business. Obtain responses to the following:

- Are the responsibilities of the members of the board well defined? Do members of the board understand their responsibilities?
- Are the duties of the chairman and secretary well defined and communicated to all members?
- Are the roles of those charged with governance or members of the board well defined and communicated to all members?
- Is there a transparent and clear structure of responsibility differentiating between what the board can do and what managers and employees can do?
- Are those charged with governance given clearly defined terms of reference?
- Are members of the board trained and inducted in their responsibilities?
- Is there any training provided for those members? How regular is the training?

Review and assess the conduct, process, documentation, and effectiveness of the board meetings in the organization. Obtain responses to the following:

- How do the persons charged with governance or board duties conduct business in the organization? Does the board conduct its business through meetings? If not, specify how business is conducted.
- Are there established procedures for the organization of meetings? If so, document the process and procedures.
- If the procedures for the conduct of meetings are laid out, do they cover the development of the agenda, frequency of meetings, notification process for meetings, meeting minutes, and confidentiality matters?
- Does the board chairman convene meetings through the secretary?
- Is the frequency of meetings adequate?
- Are agendas made for meetings and circulated before meetings?
- Is timely notice given for meetings?
- Are resolutions of the board recorded and implemented?

Review to establish the organization's role in fighting bad governance. Obtain responses to the following:

- Does the organization have separate fraud, corruption, and whistle blowing policies? If so are the policies made known to all employees of the organization?
- Do the persons charged with governance have procedures to monitor for fraud and bad governance practices in the organization? If so how are they implemented?
- Does the board have any ethical guidelines for its operations? If so how are the guidelines implemented?
- Does the board review the ethical guidelines regularly? If so, how often and who is responsible for its review?

Review to establish if the performance of the board is monitored and the monitoring mechanisms are adequate. Obtain responses to the following:

- Is the performance of the board and its committees reviewed? If so does the organization have procedures or guidelines for reviewing governance?
- Does the organization have performance indicators set for those in charge of governance?
- Are reports produced detailing the board's/subcommittees objectives for the year and progress against these objectives?

- Who handles the appraisals of governance in the organization?
- How often are the appraisals conducted?
- Does the organization have external and internal reviews such as external audits, internal audits, and an audit review committee? Does the organization produce a report regularly and on time?
- Does the organization undertake a review to ensure that board members have not become ineffective?
- Document every process taken to review the organizational governance and report on its effectiveness.

Review and assess the effectiveness of the governance practices on the development of the organization's policies. Obtain responses to the following:

- Does the organization have a mission statement?
- Is the mission stated clearly and concisely?
- Is the mission consistent with laws, regulations, and the organization's values?
- Has management set operational goals for the organization?
- Do these operational goals support the mission?
- Are these operational goals stated in measurable terms?
- Are the goals further divided into sub-goals for operating units?

Review to establish the board's role in the implementation of these policies. Obtain responses to the following:

- Does the organization have compliance officers or internal auditors? If so do they report their findings to the audit committee?
- Are the recommendations of the compliance officer, internal auditors, external auditors, and the audit committee implemented? Does the audit committee take responsibility for ensuring implementation of audit recommendations?
- Does the board assume the role of risk management or is the role assigned to another body, for example a sub-committee?

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CATHOLIC RELIEF SERVICES

Chapter 5:

Strategic planning

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Front cover photo: Caritas Lebanon staff members conduct an assessment in a village in south Lebanon. From this assessment they learned that the village is without electricity or water. David Snyder for CRS.

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WHAT FUNCTION DOES STRATEGIC PLANNING SERVE?

Organizations with long-term missions are designed to deliver services over time. Therefore, an organization's leadership should concern itself with how to position the organization to respond to changes in its environment, adjust its work accordingly, and compete effectively in the future. Such positioning calls for a long-term look at likely current and future opportunities and obstacles and how to deal with them if they occur. Strategic planning can help develop this long-term perspective.

Why strategic planning? Organizations operate in very fluid, dynamic and sometimes hostile environments. A strategic (big-picture) perspective can help predict and plan for the future. A strategic plan helps an organization to create and maintain a long-term view of what it wants to become, providing a framework for programs that help the organization better serve stakeholder needs. It also helps identify what changes may be necessary for the organization to compete effectively in the future.

During the strategic planning process, an organization defines its values and beliefs and how it will conduct business. With these value statements in perspective, an overall mission or purpose is developed. Goals and measurable objectives are then established for measuring progress. Activities are assigned to respective staff with time and financial resources allocated, and progress performance indicators are developed. The strategic plan, normally developed for a five- to ten-year period, is a "big picture" view, with the details provided by annual program and financial plans.

Strategic planning is an important function in overall organizational health. There are many excellent strategic planning guides available, so, rather than dedicate a chapter to duplicating others' good work, this section presents a selection of recommended guides by other authors. The guides referenced below are easy to access on the internet and provide clear and comprehensive advice on how to conduct a strategic plan. Following the suggested guides is a short list of websites that contain articles and resources on planning and on management generally.

STRATEGIC PLANNING MANUALS

Developing Strategic Plans: A Tool for Community- and Faith-Based Organizations

"*Developing Strategic Plans: A Tool for Community- and Faith-Based Organizations* was developed to enable community- and faith-based organizations to develop sound, effective strategic plans which will guide their organizations and communicate their mission to external stakeholders."

Developed by the International HIV/AIDS Alliance and Davies & Lee: AIDS and Development Consulting, CORE Initiative, March 2007. The CORE Initiative is a USAID-funded global program designed to support an inspired, effective, and inclusive response to the causes and consequences of HIV/AIDS by strengthening the capacity of community- and faith-based groups worldwide. Leading this initiative is CARE in partnership with the International Center for Research on Women, International HIV/AIDS Alliance, Johns Hopkins Bloomberg School of Public Health/Center for Communication Programs, and World Council of Churches.
http://www.humanitarianforum.org/data/files/resources/713/en/AllianceStrategicPlanningTool.pdf

Ten Keys to Successful Strategic Planning for Nonprofit and Foundation Leaders

"A successful strategic planning process will examine and make informed projections about environmental realities to help an organization anticipate and respond to change by clarifying its mission and goals; targeting spending; and reshaping its programs, fundraising and other aspects of operations."

For over two decades, TCC has provided strategic planning, program development, evaluation and management consulting services to nonprofit organizations, foundations, corporate community involvement programs and government agencies. In this time, the firm has developed substantive knowledge and expertise in fields as diverse as community and economic development, human services, children and family issues, education, health care, the environment, and the arts.
http://www.tccgrp.com/pdfs/per_brief_tenkeys.pdf

Strategic Planning: A Ten-Step Guide

"The term strategic planning has become very popular in recent years. Many nonprofit organizations now talk about doing strategic planning rather than long-range planning. Yet the difference between the two is not intuitively obvious, nor universally agreed upon."

Prepared by Emily Gantz McKay. Based on materials originally prepared for use with SHATIL, the technical assistance project of the New Israel Fund. Modified for the National Council of La Raza, and further modified for MOSAICA, May 1994 and July 2001.
http://siteresources.worldbank.org/INTAFRREGTOPTEIA/Resources/mosaica_10_steps.pdf

Strategic Planning

"Strategic planning is more than ensuring your association will remain financially sound and be able to maintain its reserves—it's projecting where your association expects to be in five, ten, or fifteen years—and how your association will get there. It is a systematic planning process involving a number of steps that identify the current status of the association, including its mission, vision for the future, operating values, needs (strengths, weaknesses, opportunities, and threats), goals, prioritized actions and strategies, action plans, and monitoring plans."

Community Associations Institute (CAI) and the Foundation for Community Association Research are dedicated to conducting research and acting as a clearinghouse for information on innovations and best practices in community association creation and management. As part of the Best Practices project, operations related to various function areas of community associations—including governance, reserve studies/management, financial operations, strategic planning, community harmony and spirit, energy efficiency, and transition—have been produced and are available at www.cairf.org as a free download or for sale in CAI's bookstore.
http://www.cairf.org/research/bpstrategic.pdf

OTHER SOURCES OF INFORMATION

The Association for Strategic Planning, http://www.strategyplus.org/
"Founded in 1999, ASP is the only not-for-profit professional association dedicated to advancing thought and practice in strategy development and deployment for business, non-profit and government organizations. ASP provides opportunities to explore cutting-edge strategic planning principles and practices that enhance organizational success and advance members' and organizations' knowledge, capability, capacity for innovation, and professionalism."

The Foundation Center, http://foundationcenter.org/pnd/tsn/tsn.jhtml?id=60800001
Philanthropy News Digest, article on strategic planning, 2004

The Philanthropy Journal, http://www.philanthropyjournal.org/
"The Philanthropy Journal is an independent voice and champion for nonprofits and their supporters. Through a daily website and free, weekly email bulletin, we deliver nonprofit news, resources, announcements and job listings. The Philanthropy Journal is a program of the Institute for Nonprofits at North Carolina State University in Raleigh, N.C. (USA)."

Alliance for Non Profit Management, http://www.compasspoint.org/alliance
"The Alliance is the national voice and catalyst for the field of capacity building. We improve the effectiveness of individuals, groups, and organizations helping nonprofits and communities achieve positive social change."

Center for Non-profit Management, http://www.cnmsocal.org/resources/management-and-supervision/faq-about-nonprofit-strategic-planning.html
"The Center offers this useful reference for nonprofit professionals for frequently asked questions in fundraising, board management, leadership and other topics important to achieving your mission."

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CATHOLIC RELIEF SERVICES

Chapter 6:

Finance

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Cover photo: A vendor at a market near the town of Benguela, Angola. Photo by Melita Sawyer/CRS.

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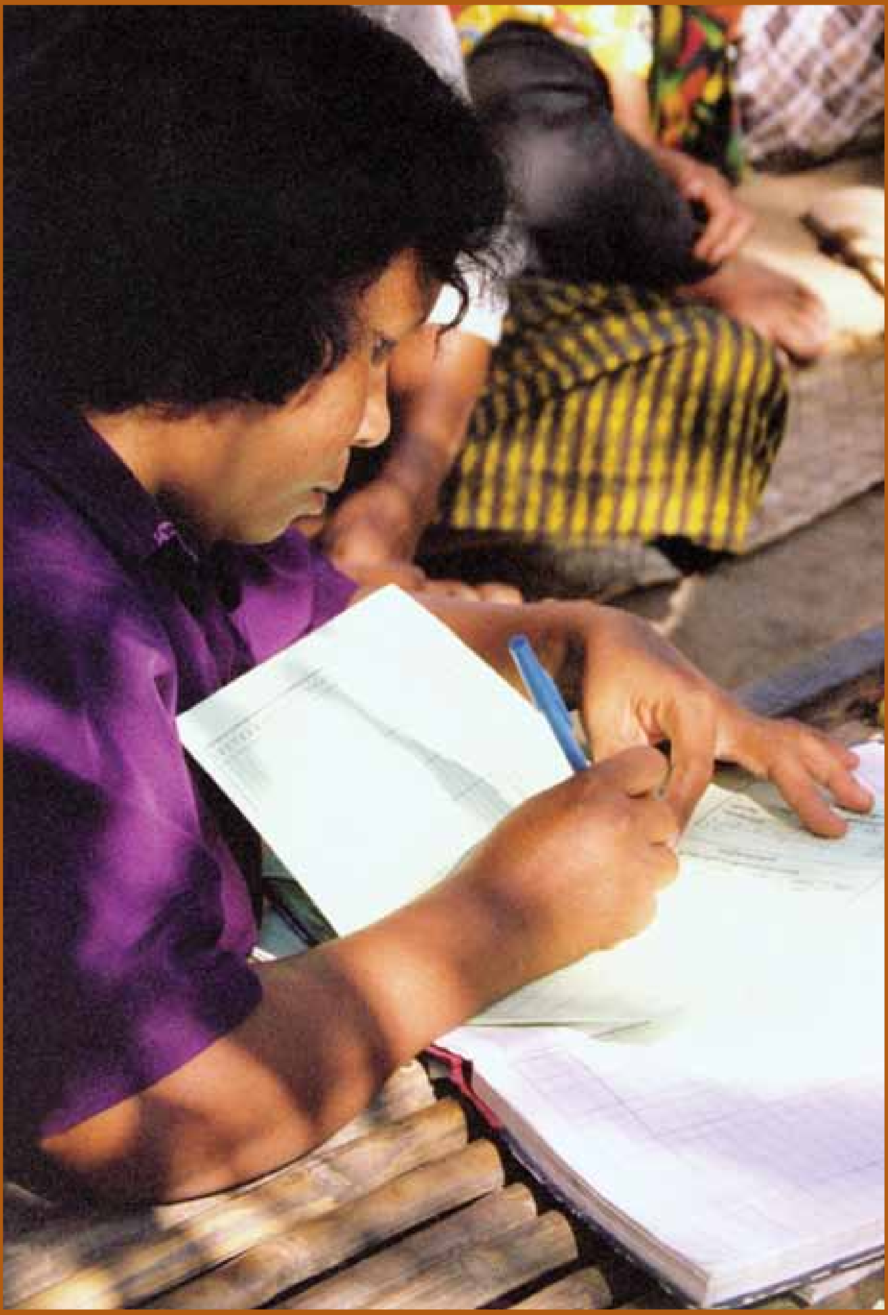
CHAPTER 6: FINANCE



MIKE SPINGLER/CRS

A microcredit group meets in Cambodia.

FINANCE PROCESS MAP

Basic Accounting Requirements
Process 6.1

Do you have a basic accounting structure in place?
see page 8

Budgeting
Process 6.2

Do you have a detailed financial estimate for anticipated future activities?
see page 17

Cash Management
Process 6.3

Have you implemented procedures for effective management of cash receipts and disbursements?
see page 24

Receivables Management
Process 6.4

Are policies in place to enforce and manage collection of receivables?
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Fixed Asset Management
Process 6.5

Are guidelines in place to govern recording and accounting for fixed assets?
see page 42

Account for Prepaid Expenses
Process 6.6

Can you manage expenses paid before the accounting period which will benefit from them?
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Are your expenses and acquisitions are recorded in the proper period?
see page 57

Accounting for Accrued Liabilities
Process 6.8

Do you record a liability for any debt incurred but not settled that period?
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Recording Revenue
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Are guidelines in place to manage different sources of revenue under varying donor conditions?
see page 65

Payroll Processing
Process 6.10

Do you have a payroll function that is independent of your HR function?
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Cost Allocation
Process 6.11

Do you have a process to distribute shared costs between multiple projects?
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Grant Accounting
Process 6.12

Do you have guidelines to ensure compliance with terms and conditions of grants?
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Financial Reporting
Process 6.13

Do you consolidate financial information to allow for benchmarking and stakeholder reporting?
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PURPOSE OF THIS GUIDE

Adoption of these policies and procedures will lay the foundation for a controlled and formalized environment for the accurate recording and timely reporting of financial transactions. It will also help to establish effective management of and accountability for funding received and expenditures made against that funding. This section is designed to aid in enhancing an organization's financial management systems and also provides guidelines for development of financial policies and procedures.

WHAT FUNCTION DOES FINANCE SERVE?

Finance performs the following functions for an organization:

- Processes the organization's financial transactions and keeps the books of account in which those transactions are recorded
- Provides financial information needed by management to plan and control the organization's activities
- Develops and enforces financial policies, procedures, and systems designed to establish and maintain effective and efficient controls over the organization's resources

A well-run Finance department produces reliable and timely financial reporting that enables management to quickly assess whether the organization's objectives are being achieved. Financial systems that are properly maintained aid in improving controls to safeguard assets with the reduced likelihood of errors, loss, misuse, and fraud.

SUMMARY

This chapter is intended to provide a summation of most key accounting processes and concepts that apply to not-for-profit organizations. It is not intended to serve as a detailed treatise of accounting theory on the subjects covered, nor is it intended to cover all accounting concepts.

The chapter has been prepared on the assumption that the readers of this guide will use the accrual basis of accounting for recording their financial transactions. The chapter's authors recognize that many not-for-profit organizations continue to use a "strict cash basis" or a "modified cash basis" of accounting. From institutional-strengthening and capacity-building perspectives, Catholic Relief Services strongly recommends adoption of accrual basis accounting concepts for organizations presently on the cash basis. Doing so will help such organizations to successfully compete with others for donor funding and increase their chances of long-term sustainability.

An organization that keeps its books on a cash basis records revenues when cash is received and expenses when cash is disbursed. Under accrual basis accounting, revenues are recorded in the periods they are earned and expenses are booked in the periods they are incurred. Accrual basis accounting is a more accurate method since it follows the matching concept. Under accrual basis accounting, revenues are booked in the same accounting period in which the expenses that generate the revenues are incurred.

Under strict cash basis accounting, assets, such as receivables and prepayments, and liabilities are not recognized. For example, an organization using this method would not record severance expense until it was paid, possibly resulting in a significant understatement of the expenses attributable to a grant or project at a given point in time.

Organizations that maintain their accounting on a cash basis should ensure that their donor agreements address how prepayments and expenses incurred but not paid as of the award expiration dates should be treated. Normally, grant donors will not allow recipients to charge their awards for the portions of prepayments that pertain to post-award periods. Cash basis organizations should seek to negotiate terms with donors that will allow them to be reimbursed for expenses incurred but not paid as of the award expiration dates.

Thirteen topics are covered in this chapter as follows:

1. **Basic Accounting Requirements** – Addresses setting up the chart of accounts and the general ledger and documenting financial transactions.

2. **Budgeting –** Contains information on budgeting principles such as approvals, clarity, structuring the budget, estimating costs, and amending the budget. Also deals with grant budgeting and the concept of line item flexibility.

3. **Cash Management** – Focuses on receipts, disbursements, forecasting, bank reconciliations, and maintaining petty cash funds.

4. **Receivables Management** – Describes the various types of receivables and reviews standard pertinent disciplines, including the need for Finance to provide receivables “aging” reports to management monthly.

5. **Fixed Assets Accounting** – Stresses the need to set up and maintain a fixed assets register. Explains the concept of depreciation expense. Goes over the accounting entries needed to record fixed assets

disposals. Underscores the requirement to conduct fixed asset counts and to reconcile them to the general ledger balances.

6. **Accounting for Prepaid Expenses and Security Deposits** – Differentiates between prepayments and security deposits and the accounting treatments to be used for each.

7. **Accounts Payable Processing** – Gives the various steps for handling accounts payable transactions. (Accounts Payable processing is used by those organizations that set up their pending payments as liabilities before paying them. This process does not apply to those organizations that use a single-step approach, whereby expenses are recorded when paid.)

8. **Accounting for Accrued Liabilities** – Provides guidance on setting up and adjusting accruals for liabilities, including those that involve estimates or those that are not expected to be settled in the short-term.

9. **Revenue** – Distinguishes among cash contributions, grants, and in-kind contributions. Depicts the special accounting treatment needed for grants, for which revenue is recorded when earned, not when received.

10. **Payroll Processing** – Emphasizes the need to segregate the Human Resources department's responsibilities for overseeing staffing changes from timekeeping and payroll functions, which should be performed by the Finance department. Cites key relevant responsibilities, such as maintaining a payroll master file, updating payroll deductions, processing time and attendance data, preparing and recording the payroll, and disbursing the payroll.

11. **Cost Allocation** – Explains the process whereby shared expenses can be distributed to benefiting cost centers. Introduces the concept of capturing shared expenses in various pools and allocating expenses from those pools based on various cost "drivers." Offers examples of pool types and allocation methods.

12. **Grant Accounting** – Furnishes an overview of the grant cycle. Concentrates on the financial responsibilities associated with grant administration, most importantly those relating to grant implementation, reporting, and closure.

13. **Financial Reporting** – Lists the various types of financial reports that should be provided to internal and external audiences and the frequency at which those reports should be made available.

KEY PRINCIPLES

The following are ten key financial principles:

1. Record all acquisitions of goods and services at their historical costs (original purchase prices or, for in-kind donations, fair market values on the dates received).
2. Financial reporting must be reasonably accurate, supported by the appropriate evidentiary matter, and pertinent.
3. Revenue is recorded in the fiscal month in which the organization distributes goods or performs a service.
4. Expenses incurred to generate revenues must be recorded in the same fiscal month in which the revenues are recorded. Expense is recorded in the fiscal month in which the organization has received (taken title) to goods or received a service.
5. All significant items should be disclosed in financial statements if they are likely to influence the decisions of users of the financial statements. Financial statements and the accompanying notes must include all significant, relevant accounting information to enable users of the financial statements to make informed decisions.
6. The organization must follow the same accounting policies and practices in the comparative periods reported in its financial statements. If an accounting change has taken place that significantly impacts the activities or financial condition of the organization, that change must be disclosed in the notes that accompany the financial statements.
7. When faced with uncertainties, accountants must make accounting decisions that neither materially overstate nor understate the financial results or balances reported. If there is uncertainty, the bias should be to accelerate recording a loss or expense and to postpone recording an income or revenue. The organization should exercise similar caution in reporting its assets and liabilities.
8. The organization should have in place a system of authorizations, approvals, and verifications. Authorization is the principal means of ensuring that only valid transactions and events are initiated as intended by management. Authorization and approval procedures should be documented and clearly communicated to all staff. Transactions should be verified before and after processing. Access to resources and records should be restricted to authorized individuals who are accountable for their custody and/or use.

9. Reconciliations should be performed on a monthly basis. General ledger balance sheet account balances should be reconciled to the appropriate supporting internal documents or external information (such as bank statements) to allow for prompt corrective action if warranted.

10. Management should compare information about current financial performance to budgets, forecasts, prior period reported results, or other benchmarks to measure the extent to which goals and objectives are being achieved and to address unexpected results or unusual conditions that require follow-up.

DAVID SNYDER/CRS

Steven Chege, a community nurse with Kenya's Kijabe Hospital, consults with a fellow care provider during a home visit in the nearby community. Steven monitors 60 home care patients, an invaluable function in this rural area.

FINANCE BUSINESS PROCESS 6.1 – BASIC ACCOUNTING REQUIREMENTS

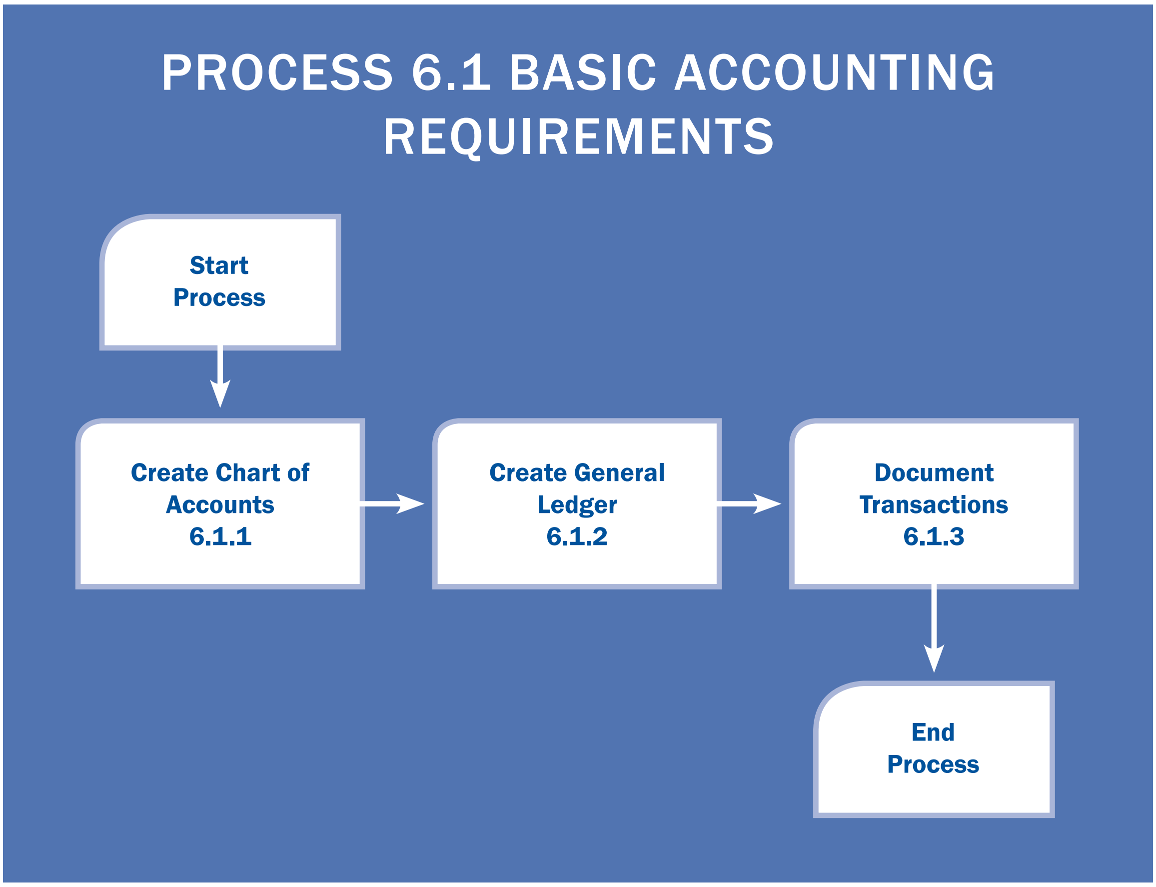
PROCESS DESCRIPTION

To properly fulfill its recordkeeping and reporting responsibilities, it is important that the organization's Finance staff maintain an accounting record, known as a general ledger, for capturing all financial transactions. Financial transactions are recorded using general ledger accounts that indicate the nature of the expense incurred, good or service received, or revenue generated.

Before setting up a general ledger, management must decide how it wants its accounting transactions to be structured. It is critical that the organization set up its accounting structure to provide for reporting that meets all concerned parties' needs and that is in compliance with the professional accounting standards that prevail in the organization's home country. Cost centers typically used by nonprofit organizations are those that group financial activities by project, office, operating department, geographic region, and/or donor funding source.

It is of equal importance that all transactions be supported with the proper documentation. The organization's Head of Finance should establish standards that indicate which types of documentary internal and external evidence are needed to support each type of financial transaction. The Head of Finance should also indicate the length of time that the organization's various financial documents should be retained on file.

PROCESS FLOW



STEP 6.1.1 – CREATE CHART OF ACCOUNTS

STEP NAME	CREATE CHART OF ACCOUNTS
Step Number	6.1.1
Organizational Role	Management team
Inputs	Organization's accounting needs Organization's reporting needs
Outputs	Chart of accounts
Integration Points	N/A
Summary	Most nonprofit organizations satisfy their reporting needs through the use of cost centers and general ledger account codes. Cost centers should be aligned with management objectives and responsibilities.

Account codes identify the nature of the items affected by accounting transactions. General ledger accounts are usually grouped into the following major categories:

- Assets
- Liabilities
- Net Assets (formerly known as Fund Balances)
- Revenues
- Expenses

Assets may be subdivided into two main groups depending on their degrees of liquidity and their expected asset lives. The most liquid assets are generally expected to be used up in the normal course of business in the short term and are normally grouped into one range, often called "Current Assets." Those assets with less liquidity, longer anticipated useful lives, and long-term benefit are placed into a range usually called "Fixed Assets" or "Property, Plant, and Equipment."

Each of the major account groups should appear in a specially designated range. The following are a possible set of ranges:

- (Current or Short-Term) Assets – Account ranges from 1000 to 1999
- Fixed Assets – Account ranges from 2001 to 2999
- Liabilities – 3000 to 3999
- Net Assets (Fund Balances) – 4000 to 4999
- Revenues – 5000 to 5999
- Expenses – 6000 to 6999

Organizations should tailor the ranges to meet their specific needs. The accounts should be set up in a logical sequence. The accounts should be assigned in a way that will allow the organization to add accounts or account ranges in the event of future growth or increased reporting needs.

The organization may wish to add minor account codes to provide more detailed information to financial report users. Minor account codes usually follow the major account codes and typically are three to four characters in length. They can be longer if deemed necessary by the organization, subject to accounting software limitations. Minor account codes can be used for various reasons, such as to denote bank accounts, project materials, or salary categories.

The following are some examples of minor account codes:

1. Bank accounts – assuming that General Ledger (G/L) Account (A/C) 1010 is used to denote checking accounts.
    a. A/C 1010.101 – Main Office General Purpose Checking Account
    b. A/C 1010.102 – Main Office Grant Checking Account – Donor A
    c. A/C 1010.103 – Suboffice General Purpose Checking Account
    d. A/C 1010.104 – Suboffice Grant Checking Account – Donor A
2. Salaries and Wages – assuming that G/L A/C 6010 is used for salaries.
    a. A/C 6010.101 – Base Salaries
    b. A/C 6010.102 – Overtime Salaries
    c. A/C 6010.103 – Sick Time
    d. A/C 6010.104 – Vacation Salaries
    e. A/C 6010.105 – Holiday Salaries
3. Project Materials – assuming that G/L A/C 6100 is used for project materials
    a. A/C 6100.101 – Construction Materials
    b. A/C 6100.102 – Seeds
    c. A/C 6100.103 – Agricultural Tools
    d. A/C 6100.104 – Medicine

It is recommended that another field or code be used to identify vendors, employees, donors, and subrecipient partners. Minor account codes are not recommended for identifying those parties.

An authorized finance officer should control the issuance of account numbers, and additions should be kept to the minimum number needed. All active account numbers should be made available to all employees in a listing known as the chart of accounts. The chart of accounts should be updated and reissued for each change. Accounts that are no longer to be used should be deactivated and the organization’s employees should be notified accordingly.

To minimize misunderstanding as to the use of each account, organizations should consider adding full explanations for each account to the chart. This type of chart is known as an annotated chart of accounts.

STEP 6.1.2 – SET UP GENERAL LEDGER

STEP NAME	SET UP GENERAL LEDGER
Step Number	6.1.2
Organizational Role	Head of Finance
Inputs	Chart of accounts Accounting structure based upon the organization's accounting and reporting needs
Outputs	Financial reports
Integration Points	Management
Summary	All financial transactions of an organization must be recorded in an accounting record known as the general ledger.

Access to the general ledger should be firmly controlled and the general ledger should be in balance at all times. Transactions are recorded in the general ledger on a daily basis and should be summarized, at a minimum, monthly. The summarized totals are called "general ledger balances." These are used as the bases for financial reporting to management, donors, the board of directors, prime recipients, government regulatory agencies, and other interested parties. At the end of the organization's business year (known as a fiscal year), the general ledger is closed and the final reporting to management for the year is prepared.

The general ledger may be a manual (hand-prepared) ledger or a computerized version that uses software specifically designed for that purpose. The computerized general ledger has proven to be the better choice for most organizations for the following reasons:

- Access to the computerized general ledger can be restricted to authorized individuals.
- General ledger software provides a complete audit trail. It can indicate who entered and/or posted each transaction.
- Computerized general ledger systems can be backed up to minimize the loss of data in the event of a theft or a catastrophic event.
- Computerized general ledger systems require all transactions to balance, eliminating the out-of-balance conditions that frequently result when manual ledgers are used.
- Computerized general ledger databases store a large amount of data for

extended periods of time, enabling the organization's Finance department to provide a wide variety of reports that can include historical data.

- Computerized general ledgers generate financial reports more quickly and accurately than manual ledgers.
- Computerized general ledgers can collect and process data from multiple input sources. Only one employee can post to a manual ledger at a given time.

A computerized spreadsheet application such as Excel does not have the necessary built-in controls to prevent unauthorized changes or to provide a complete audit trail and is therefore not recommended as a substitute for a computerized general ledger system. If Excel is used, on each posting day the spreadsheet containing that day's transactions should be printed, signed by the designated approver, and retained on file.

If an organization uses a manual ledger and has a high volume of activity for certain types of transactions, those transactions may be recorded in a subsidiary ledger and then summarized for posting into the general ledger. If subsidiary ledgers are used as books of original entry, care must be exercised to ensure that all balances from the subsidiary ledgers are properly carried forward into the general ledger. Some examples of subsidiary ledgers are cash receipts journals, cash disbursement journals, accounts receivable ledgers, voucher registers (accounts payable), and fixed assets ledgers.

General ledger transactions can be grouped into three basic types, namely the following:

- Cash receipts, which are recorded on cash receipts vouchers
- Cash disbursements, which are recorded on cash disbursement vouchers
- All other transactions, which are recorded on general journal vouchers or variations thereof, such as an accounts payable voucher
- "Other" transactions, which typically include those types of activities that do not involve the receipt or outlay of cash. Accruals, write-offs or write-downs, depreciation, amortization, adjustments, and reclassifications are among the more common types of general journal entries. These terms are explained in the glossary section of this chapter.

STEP 6.1.3 – DOCUMENT FINANCIAL TRANSACTIONS

STEP NAME	DOCUMENT FINANCIAL TRANSACTIONS
Step Number	6.1.3
Organizational Role	Finance staff
Inputs	Source documentation
Outputs	Completed vouchers
Integration Points	Procurement Administration/Human Resources Vendors Partners Management
Summary	All financial transactions must be fully documented to the extent that is appropriate for the type of transaction.

Every accounting transaction should be recorded on a separate accounting voucher, also known as an entry. A fundamental accounting rule is that each voucher must balance, that is, its debits must equal its credits so that the general ledger remains in balance at all times. Debits increase assets and expenses and reduce liabilities and revenue. Credits increase liabilities and revenue and reduce assets and expenses.

Each accounting voucher must meet the following requirements:

- Sequentially numbered
- Appropriately documented
- Properly approved
- Carefully filed to allow for easy retrieval

All vouchers should be signed by the employees who prepared, entered, approved, and posted them. If the organization assigns the responsibility of data entry verification to an additional employee, that employee should also sign the voucher. Immediately after approval and before filing, each voucher and its supporting documents must be canceled to prevent their reuse. Cancellation usually entails marking, stamping, or perforating each document as “paid” or “processed,” as applicable.

The appropriate supporting documentation for a cash receipts voucher includes the following:

- Bank deposit slip or cash receipt form, as applicable
- Cash receipt form
- Photocopy of each check deposited (the payer's check number should also be shown in the description field for that line item on the cash receipts voucher.)
- Any other material, such as a remittance advice, submitted by the paying party with its payment

The appropriate supporting documents for a cash disbursement voucher normally include the following:

- Approved purchase requisition form
- Price quotations or pro-forma invoices
- Bid comparison reports with explanation for vendor selection or why a sole source vendor was chosen
- Purchase order and/or vendor contract (for consultants, landlords, etc.)
- Goods received note (receiving report)
- When warranted, a memo justifying variance between quantities or descriptions of items ordered versus those received
- Vendor's original invoice
- Approved Payment/Advance Request form

The appropriate supporting documents for a general journal voucher vary depending on the nature of the transaction. These can include the following:

- For accruals – Internal analyses and external documents such as correspondence, legal notices, or copies of disputed billings
- For write-offs – Management authorization memoranda and copies of all correspondence with the debtor documenting collection efforts
- For liquidations of amounts advanced by the organization – Travel expense reports (from employees), financial liquidation reports (from subrecipients), invoices, plus purchasing and receiving documentation (from vendors)
- For correcting entries or reclassifications – The original accounting entry and the correcting or reclassification entry should be cross-referenced. If the amounts corrected or reclassified are the sum of multiple transactions, a complete list of the transactions or balances impacted by the change should be attached to the correcting or reclassification entry as support. A full explanation should be attached to the entry explaining the reason why the correction or reclassification was necessary.

If the source documents are confidential in nature, such as those for a payroll entry or a legal accrual, a reference should be made on the entry as to where the supporting documents are located. A complete description of the transaction should be attached to each general journal entry.

The organization should establish and enforce firm record retention policies. All documents should be protected while in storage both onsite and (if applicable) offsite. Donor requirements and local statutes should be taken into consideration when determining the length of the record retention period needed. (For project activities funded by U.S. government awards, it is recommended that all financial supporting documentation be retained for a minimum of 10 years.)

FINANCE BUSINESS PROCESS 6.2 – BUDGETING

PROCESS DESCRIPTION

A budget is a detailed financial estimate of anticipated activities for a specified period of time. The following are several types of budgets:

- Annual Operating budget – an estimate of an organization's total revenues and expenses for a fiscal year
- Cash budget – the cash an organization expects to receive and disburse
- Capital budget – the total costs to acquire fixed assets (capital additions)
- Project Budget – the estimated cost of a specific project
- Grant Budget – the estimated cost to conduct project activities funded by a grant

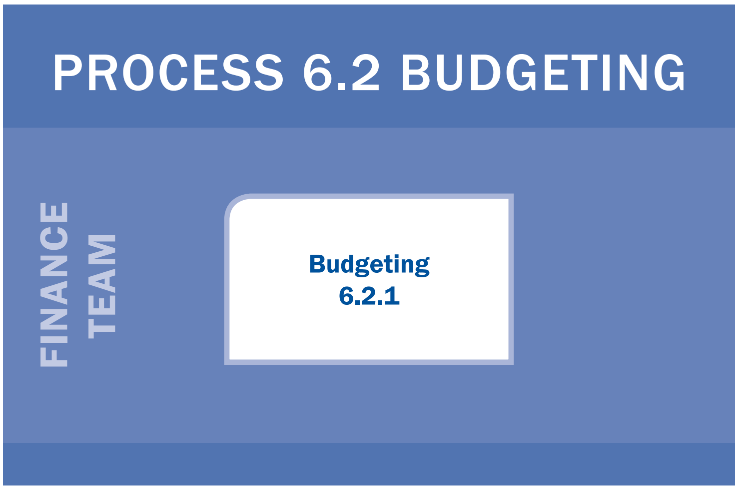
Planning – A budget is necessary for planning upcoming activities so that an organization can reasonably estimate the cost of those activities. This allows the organization to determine if it has the resources needed to perform activities and if it is making the best use of the resources.

Fundraising – The budget can be used as a major tool for fundraising. The budget sets out in detail what the organization plans to do with the funds raised, including on what the funds will be spent and what results will be achieved.

Project Implementation – A realistic budget is needed to control an activity once it has started. The most important tool for ongoing monitoring is comparing the actual costs against the budgeted costs. Without a realistic budget, this is impossible. Given that plans may change, it is necessary for department heads to review the budget after an activity has started and to amend the budget, if warranted. Approval may be needed from designated officials if changes to the budget require additional funding.

Monitoring and Evaluation – The budget is used as a tool for evaluating the success of the activity during its project life and when it is completed. It helps to determine whether the planned objectives were met and within the cost parameters.

PROCESS FLOW



STEP 6.2.1 – BUDGETING

STEP NAME	BUDGETING
Step Number	10.2.1
Organizational Role	Head of Finance Project officer/project director – For each individual project Board of directors – For the organization's total annual budget
Inputs	Organization's annual funding needs Organization's available resources
Outputs	Approved budget Budget comparison reports
Integration Points	Collaboration with donors, project officers
Summary	Effective budgets can only be produced as a result of good underlying plans. Financial planning lies at the heart of effective financial management. The organization must have a clear idea about what it intends to do and how it intends to do it.

The Budgeting Process

The process of preparing a meaningful and useful budget is best undertaken as an organized and structured group exercise. The budget process involves asking a number of questions including the following:

- What activities will be involved in achieving the planned objectives?
- What resources will be needed to perform these activities?
- What will these resources cost?
- What will be the sources of the funds?
- Are the anticipated results realistic?
- What approvals are required to accept budget variances?
- Do the various departments within the organization have budgets?

Once the budget has been agreed upon and the activity implemented, the process is completed by comparing the plan (budget) with the eventual outcome (actual).

Budgeting Principles

Approval – The board of directors will need to approve the organization's budget at the start of the fiscal year. Anticipated unfavorable budgetary variances over the stipulated threshold require written prior approval from a designated official (often the Head of Finance) and, when applicable, from grant donors.

Budget Accountability - A budget manager should be designated for each of the organization's cost centers or projects. The budget manager has the following responsibilities for the assigned cost center or project:

- Developing the budget
- Effective and timely programmatic and financial monitoring
- Managing and anticipating the needs of the cost center or project
- Preparing and justifying requests for amendments when necessary
- Ensuring that the actual costs are in line with the budgeted costs
- Taking the necessary steps to prevent material cost overruns
- Achieving the stated objectives
- Providing regular programmatic reporting
- Complying with donor requirements where applicable
- Closing projects/grants timely, effectively, and completely

Clarity – Since many different people will need to use the budget for different purposes, the budget should be sufficiently clear and detailed to allow all potential users to understand it. Clarity and accuracy are critical, so it is important to keep notes on budgeting assumptions and how estimates have been determined.

Budget Structure – When setting a budget for the first time or when reviewing a budget, it is important to refer to the organization's chart of accounts to determine whether it feeds into the reporting requirements from a donor. This is because the budget line items also appear in the accounting records and on management reports. If the budget items and accounting records are not consistent, then it will be very difficult to produce monitoring reports once the project implementation stage is reached.

Estimating Costs – It is important to be able to justify calculations when estimating costs. The Finance department should work closely with other department heads to identify types of activities and related costs. Do not be tempted to simply take the previous year's budget and add a percentage amount for inflation. While the previous year's budget could be very helpful as a starting point, it could also be very misleading and contain historical inaccuracies. Expenses to be distributed to various cost centers and projects via a cost allocation process should be considered during the budgeting phase and included in the total estimated cost for each cost center and project. (See the cost allocation section of this chapter for guidance.)

Budget Amendments – If during the course of the year, a department head determines that a change is needed due to an anticipated additional need for resources from the organization's unrestricted funds, the approval of the organization's Executive Director may be required. If additional funding is needed for a grant-funded project, the organization will need to seek approval from the donor for a modification of the grant agreement. If the grant donor agrees to the change, a revised budget should be prepared and submitted to the grant donor.

Once approved, the amended budget becomes the new operating budget for that agreement. If internal approval is given, the department head will be required to prepare a budget amendment form, obtain the necessary approval(s), and forward the approved form to the Finance department. The Finance department should use the new approved budget for budget comparison reporting purposes.

The best approach is to make a list of all the inputs required and specify the quantity and estimated unit cost of each item. From this detailed working sheet it is a simple matter to produce a summarized budget for each line item and is very easy to update if units or costs change.

SAMPLE BUDGET WORKSHEET

LINE ITEM DESCRIPTION	UNIT COST	UNIT OF MEASURE	QUANTITY	TOTAL ANNUAL BUDGET REQUESTED	NOTES
Salary	10,000	Month	2	240,000	Salaries for project accountants
Rent	500	Month	1	6,000	Rent for leasing office building

Overlooked Costs – Many failed projects are based on an underestimated budget. The most common of the overlooked costs are the indirect or support costs. The following are some of the most often overlooked costs:

- Staff-related costs (e.g., recruitment costs, training, benefits, and statutory payments)
- Project start-up costs (e.g., publicity)

- Allocated costs (e.g., rent, insurance, and utilities)
- Vehicle operating costs
- Equipment maintenance (e.g., for photocopiers and computers)

Budget Categories for Project Management

Budget line items are specific budget headings or account classifications that match project proposal budgets. Each line item should be identified by a specific account code. Some grant donors will ask their grantees to use specific budget templates with standard cost categories and line items when requesting and reporting on the use of funds.

When a donor requires reporting by cost categories, which is a grouping of several account line items, the organization must start the budget process by each individual line item and roll up to a cost category.

Line Item Flexibility for Project Management

Within a grant agreement, the donor will specify the line item flexibility that is applicable to the award. If donor approval is needed prior to incurring certain types of expenses, follow donor regulations for seeking approval. For example, a donor can grant line item flexibility of up to 10 percent of the amount budgeted per line item.

The following is an example of **acceptable** flexibility that does not need prior approval from donor:

DESCRIPTION	BUDGET	ACTUAL SPENT	DIFFERENCE – ACTUAL OVER/(UNDER) BUDGET
Salaries	300	330	10%
Domestic travel	100	90	(10%)
Office expenses	200	180	(10%)
Total	600	600	0%

Actual spending did not exceed the budget

Difference must not be more than 10 percent of the budgeted line item

The following is an example of **unacceptable** flexibility:

DESCRIPTION	BUDGET	ACTUAL SPENT	DIFFERENCE – ACTUAL OVER/(UNDER) BUDGET
Salaries	300	450	**50%**
Domestic travel	100	90	(10%)
Office expenses	200	180	(10%)
Total	**600**	**720**	**20%**

Difference is more than 10 percent of the budgeted line item

Actual spending exceeded the budget

The following is an **additional** example of **unacceptable** flexibility**:**

DESCRIPTION	BUDGET	ACTUAL SPENT	DIFFERENCE-ACTUAL OVER/(UNDER) BUDGET
Salaries	300	360	**20%**
Project materials	600	580	(3%)
Domestic travel	100	80	(20%)
Office expenses	200	180	(10%)
Total	**1,200**	**1,200**	**0%**

Difference is more than 10 percent of the budgeted line item

Actual spending exceeded the budget

Even though the total budget was not exceeded, the Salaries expense was exceeded by more than 10 percent

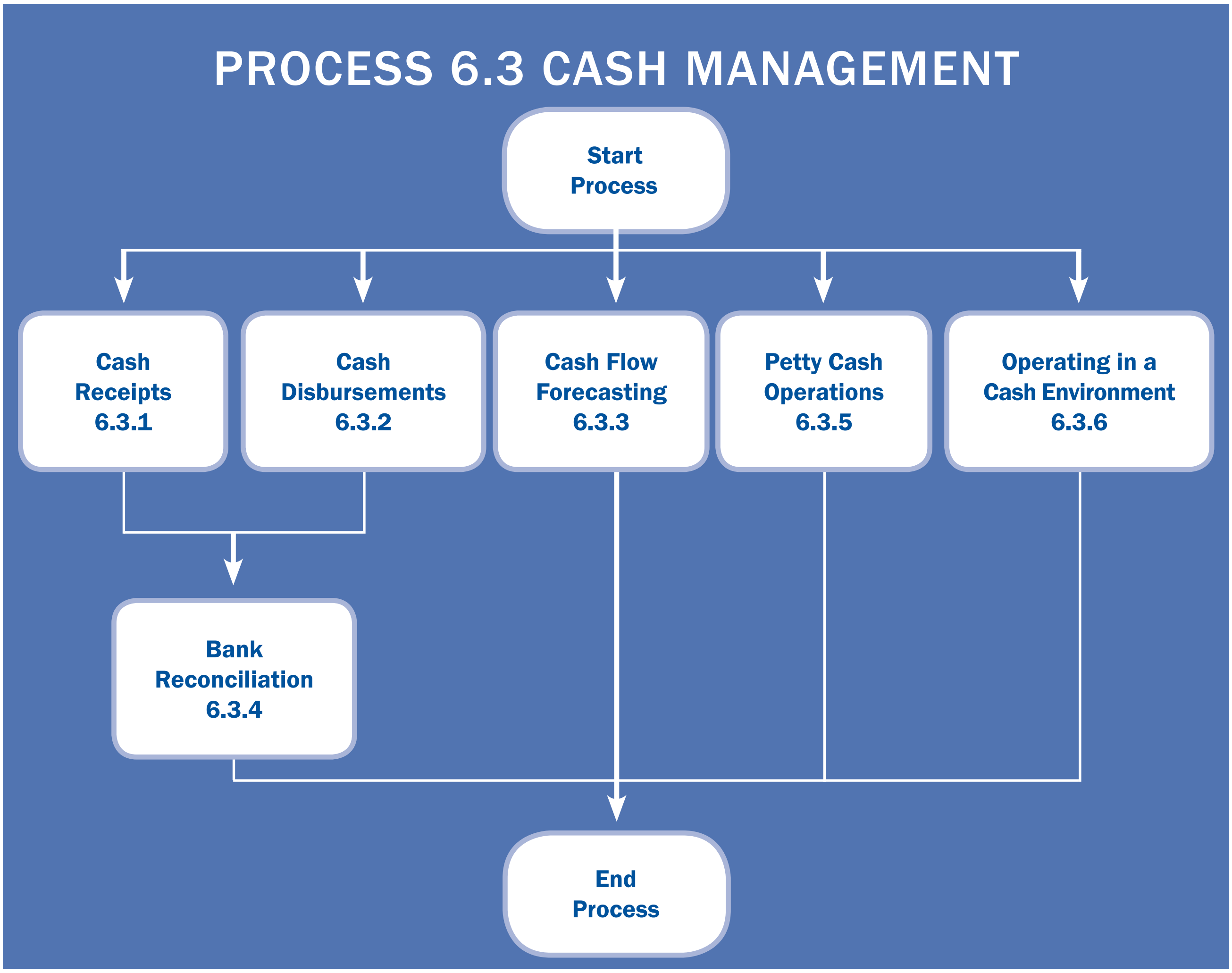
With regard to line item flexibility, the organization should always refer to the terms of the specific agreement with each grant donor since line item flexibility can change from donor to donor and for various agreements with a given donor. In the examples shown above, the restriction was on a line item basis. For certain U.S. government donors, there is a cumulative limitation of 10 percent of the total budget. For other donor awards the flexibility restrictions are on a program category or component basis, not by line item.

FINANCE BUSINESS PROCESS 6.3 – CASH MANAGEMENT

PROCESS DESCRIPTION

Cash management is an important function in any organization. In order to maximize its cash position, an organization should implement cash procedures for effective management of cash receipts and disbursements. Forecasting and budgeting are important aspects of cash management. The organization should try to plan in as much detail and as far ahead as possible what receipts can be expected and what disbursements will be required. Cash management functions revolve around receipts, disbursements, forecasting, and reconciliation.

PROCESS FLOW



STEP 6.3.1 – CASH RECEIPTS

STEP NAME	CASH RECEIPTS
Step Number	6.3.1
Organizational Role	Head of Finance Cashier Management
Inputs	Grant agreements Contributions Remittance advices
Outputs	Cash receipt slips Cash receipts voucher Bank deposit slips
Integration Points	Collaboration with donors Collaboration with project officers and department heads
Summary	The organization's cash receipts are from various sources such as donations, grants, sales, fees for services rendered, and collection of accounts receivable. All cash receipts must be accounted for in a timely manner.

All cash receipts should be dated upon receipt and pre-numbered to facilitate checking of the numerical sequence for missing documents. The following procedures should be followed:

- Cash should be banked upon receipt.
- Cash receipts should be properly classified as donations, grant funding, cash from sales, accounts receivable collections, service delivery, disposal of assets, or borrowing. Reconciliation must be done in the respective accounts to determine whether all entries were made to show all cash received by the organization.
- Bank reconciliations should be done monthly by someone independent of cash custody or record keeping responsibility. Cash receipts journal entries should be regularly compared to the remittance lists and deposits.

STEP 6.3.2 – CASH DISBURSEMENTS

STEP NAME	CASH DISBURSEMENTS
Step Number	6.3.2
Organizational Role	Head of Finance Accounts payable officer
Inputs	Required cash disbursement documentation
Outputs	Approved cash disbursement voucher Vendor receipts issued
Integration Points	Collaboration with project officers Collaboration with suppliers
Summary	Cash disbursements should be authorized and supported with proper documentation.

1. Designated officials should authorize cash disbursement. Proper documentation for cash disbursements includes, but is not limited to, the following:
    - Approved purchase requisition form
    - Price quotations or pro-forma invoices
    - Bid comparison reports with explanation for vendor selection or why a sole source vendor was chosen
    - Purchase order and/or vendor contract
    - Goods-received note (receiving report)
    - When warranted, a memo justifying variance between quantities or descriptions of items ordered versus those received
    - Vendor's original invoice
    - Approved Payment/Advance Request form

2. Cash disbursements information should be summarized on a cash disbursement (CD) voucher. The voucher should contain the date of transaction, account code, and reason for payment. The voucher should balance, i.e., the debits should equal the credits. Segregation of duties dictates that the cash disbursement voucher must be verified by a person other than the one who prepared it and must be approved by a senior official. This approval is sufficient to make payment and post the transaction to the general ledger.

3. The organization should ensure that all payments, with the exception of petty cash disbursements, are made using pre-numbered checks to provide independent identification by the bank. It is more difficult to manipulate check payments because of the increased audit trail, whereas cash cannot be traced. All check disbursements have to be approved by authorized signatories.
4. Check signatories/wire approvers should be clearly designated. These should be as few as possible to narrow down the responsibility. Checks should require at least two signatures.
5. A copy of the signed check should be attached to the cash disbursement voucher. The organization should always obtain acknowledgment of receipt from the supplier in the form of a supplier-issued receipt form. If the supplier cannot furnish such a form, the supplier should sign a copy of the check. An organization employee who is independent of the cash and procurement functions should prepare a goods-received note (receiving report).
6. Ensure that individuals who prepare checks have no access to cash receipts. (If the organization cannot segregate these duties because of a limited staff, that control weakness should be documented along with the compensating controls put into place to offset it.) Access to blank checks should be restricted to authorized persons. The numerical sequence should be verified when new checks are received, and missing checks should be listed.
7. Checks should be dated when issued. Pre-dating or post-dating checks should be strictly prohibited. The date of the check should be shown on the cash disbursement voucher and recorded in the cash disbursement journal/general ledger.
8. Signing of blank checks should be prohibited. Checks should not be written until a payment request voucher has been prepared and approved.
9. Before a check is signed, all relevant documents supporting the payment should be attached to a cash disbursement voucher to show that the expenditure is genuine. All supporting documents must be canceled with a "PAID" stamp immediately after approval to prevent the documents from being presented again for payments.
10. To avoid alteration, signed checks should be dispatched directly to the designated payees without having to go back to the check preparer. If staffing limitations dictate that checks need to be routed back to the check preparer, compensating controls must be put into place. Such controls include having an employee other than the check preparer/distributor perform the bank reconciliation and the voucher postings.


DAVID SNYDER/CRS

Two young boys in Laguna Patzijon, Guatemala. There are few opportunities for young men in rural areas, with low literacy rates and few jobs outside of farming.

11. To prevent duplicate payments or recordings, check numbers should be used as transaction references when posting to the cash disbursement journal or general ledger. Original copies of voided cash disbursements and voided checks must be kept on file.
12. Checks should be made to order. Checks should be crossed with “Account Payee Only” and “Not negotiable,” if that is the standard practice in the country.
13. It is recommended that a check dispatch (disbursement) register, which accounts for the sequence of checks issued, be maintained.
14. Voided checks will be marked prominently with the stamp “Canceled” and kept securely for reference. It is recommended that each voided check be attached to a blank cash disbursement voucher and entered into the cash ledger system as “voided” for tracking purposes.
15. Bank transfers from other accounts should be posted in the cash disbursements journal when the transfer has been initiated and to the cash receipts journal when the transfer has been completed. It is recommended that a cash-in-transit account be used to track and monitor the transfer of cash between bank accounts.
    a. When funds are transferred from account A to account B
        i. Debit Cash in transit account
        ii. Credit Bank A account
    b. When funds are reflected as received in account B
        i. Debit Bank B account
        ii. Credit Cash in transit

Note: **Cash-in-transit** is the general ledger account used to track cash that is being transferred from one bank account to another. Since the cash disbursement is recorded on a separate accounting voucher than the cash receipt, the cash-in-transit account is needed to balance each of the two entries. When the cash receipt is recorded, the balance in the cash-in-transit account should zero out.

STEP 6.3.3 – CASH FLOW FORECASTING

STEP NAME	CASH FLOW FORECASTING
Step Number	6.3.3
Organizational Role	Head of Finance
Inputs	Approved budget Activity plans
Outputs	Approved cash flow forecast
Integration Points	Collaboration with donors Collaboration with project officers
Summary	The cash flow forecast allows the organization's managers to predict periods when cash balances are likely to be insufficient to meet spending needs and periods when there are surplus funds.

Effective cash flow management is vital to organizations. It is a key element in planning and in efficient operational management. If cash inflows and outflows are not successfully planned and monitored, organizations may encounter cash shortfalls and may not be able to serve beneficiaries or pay employees and vendors in a timely manner. A cash flow forecast is often required by external parties to enable them to plan the timing of issuance of funding to the organization.

The cash flow forecast is linked with budget planning and involves, at a minimum, the following steps:

1. Determine the cash position at the beginning of a given period from the organization's accounting records.
2. Plan the timing of anticipated future cash receipts, approved sources of grant funding, and other projected sources of income. The main sources of cash inflows for an organization include contributions, donors' advances or reimbursements, collection of accounts receivable balances, and cash receipts from income-generating activities.
3. Estimate the timing of cash disbursements, taking into consideration the organization's planned activities. Organizations that maintain their accounting on an accrual basis should keep in mind that payments to vendors may be needed to decrease previously recorded liabilities.
4. Summarize the information above in a spreadsheet showing forecasted cash balances by period.
5. Provide the forecast to the executive director or other applicable official for use in projecting cash surpluses or needs.

STEP 6.3.4 – BANK RECONCILIATION

STEP NAME	BANK RECONCILIATION
Step Number	6.3.4
Organizational Role	Head of Finance Authorizing official
Inputs	Official bank statement Ledger transactions
Outputs	Bank reconciliation statement
Integration Points	Collaboration with bank
Summary	Bank reconciliations are performed at least monthly to reconcile differences between bank records and the organization's records.

The following are items that may cause differences between an organization's accounting ledger and a bank statement from the bank:

- Incoming transfers
- Bank charges and interest booked by the bank but not by the organization
- Checks issued by the organization but not presented to the bank
- Deposits in transit, defined as deposits made and recorded by the organization toward the end of the month but not booked by the bank as of the ending bank statement date. This difference may be due to processing delays or to posting errors.

Bank reconciliation best practices include the following:

1. Bank reconciliations should be prepared monthly to verify that the accounting records are correct. The bank account mirrors cash book activity. Therefore, the preparer should look for possible discrepancies that could be caused by either error or misuse. Bank account reconciliation responsibility should be vested in persons not involved in handling receipts or disbursements. Otherwise, possible discrepancies can be covered up. A designated responsible official should review reconciliations. Bank reconciliations should be retained on file in the event of audit or other internal reviews.
2. Documents that support the reconciling items need to be attached to the related bank reconciliation. Such documents might include a list of outstanding checks, deposits in transit, and other relevant documents.

3. When appropriate, a general journal entry should be made to record the reconciling of items that appear on the bank statement but are not recorded in the organization's general ledger.
4. Bank reconciliation preparation should always start with the opening balance brought forward from the previous reconciliation and end at an adjusted balance that reconciles with the ending balance per the bank's statement.
5. Reconciling items identified during the bank reconciliation process should be cleared by the subsequent month. The Head of Finance should follow up if a reconciling item appears two months in a row.
6. Management action is required for irreconcilable or unidentified variances identified during the bank reconciliation process.
7. All disbursement checks that have been outstanding for more than a stated period of time (such as three or six months) should be voided and replaced.

STEP 6.3.5 – PETTY CASH

STEP NAME	PETTY CASH
Step Number	6.3.5
Organizational Role	Petty cash officer/custodian Head of Finance
Inputs	Petty cash vouchers
Outputs	Petty cash ledger
Integration Points	Requisitioners and approvers
Summary	The purpose of setting up a petty cash fund is to allow access to cash on demand for small payments. It is the responsibility of the organization's management to set the maximum petty cash balance, establish a limit of individual disbursement from the petty cash, and designate a petty cash custodian. Petty cash should be maintained on an imprest basis. The recommended level of the petty cash fund should range from two weeks' to one month's cash needs.

1. Organizations should establish a petty cash policy and procedures. The procedures should describe the petty cash location, maximum petty cash fund balance, roles and responsibilities of staff involved in the custodianship, petty cash voucher preparation, approval levels, maximum disbursement amount, and the petty cash replenishment process.
2. A custodian should be designated and trained to handle the petty cash.
3. The petty cash custodian should not perform any other cash function.
4. The petty cash fund must be kept in a locked safe and access to the safe must be limited to the custodian.
5. All petty cash payments must be made only for authorized payments using a petty cash request form and pre-numbered petty cash slip, and must be supported by evidence for payment such as customer invoices and payee signatures. The petty cash custodian should never authorize payment.
6. The petty cash custodian must record all payments in a petty cash ledger, which may be a formal register (preferred) or worksheet. The petty cash ledger captures information on the date and purpose of the payment, the payee, the amount paid, and the running balance of the petty cash fund.

7. The custodian must reconcile the petty cash fund on a daily basis. The cash remaining in the petty cash box plus the sum of payments made from the date of the fund's last replenishment must agree to the petty cash fund impress balance. Any difference should be brought to the attention of the Head of Finance for action.

8. Whenever there is a change of custodial responsibility, a cash count must be performed and an official handover of cash and documents must be made. A third person must witness and sign the handover process.

9. There should be an unannounced cash count conducted by a person other than the petty cash custodian at least once a month. It is recommended that additional independent counts be performed at regular intervals during the month.

Petty Cash Reimbursement/Replenishment

1. When the petty cash fund balance reaches a pre-defined minimum balance, the custodian prepares a replenishment statement. The replenishment statement is a list of payments categorized by general ledger account.

2. A designated Finance officer should review the replenishment statement for accuracy and validity of the supporting documentation.

3. When confirmed by Finance and approved by the organization's designated official, a check should be issued for the amount of the replenishment submitted. It is recommended to issue the replenishment check in the name of the custodian.

4. At this point, the petty cash custodian receives reimbursement for the replenishment submitted, which brings the cash in the fund back to the imprest balance.

Recording Petty Cash

1. When the initial petty cash fund is set up, a cash disbursement journal voucher will be prepared to debit the imprest account and credit the bank account.

2. Whenever there is need to replenish the petty cash account, a cash disbursement journal voucher will be prepared with the amount needed to adjust the petty cash to the float amount. The accountant will record a debit to the expense account and a credit to the bank account.

STEP 6.3.6 – OPERATING IN A CASH ENVIRONMENT

STEP NAME	OPERATING IN A CASH ENVIRONMENT
Step Number	6.3.6
Organizational Role	Cash custodian Head of Finance
Inputs	Cash transfers and related documents Remittance advices Grant agreements Purchasing documentation Receiving documentation Vendor invoices
Outputs	Cash receipt slips Cash disbursement slips Cash receipt vouchers Cash disbursement vouchers Cash ledger General ledger
Integration Points	Requisitioners and approvers Suppliers Project officers
Summary	Organizations may operate in a location or operating environment in which no formal banking options are available. In those situations, all transactions may be conducted in cash (currency), with an increased need for effective internal control throughout the cash cycle.

When an organization is operating in a cash environment, the following measures are recommended to ensure that cash is properly safeguarded:

1. The organization should establish firm policies and procedures that clearly indicate the roles and responsibilities of staff members involved in cash custodianship, the documentation required for each step of the cash cycle, and the approvals needed to disburse funds.
2. A custodian should be designated and trained to handle the cash.
3. To the extent possible, all cash-related functions should be clearly segregated. There should established checks and balances for each cash process. If staffing limitations prevent a full segregation of duties, those weaknesses must be documented and compensating controls must be put into place in order to minimize the organization’s exposure.
4. When not in use, the cash must be kept in a locked safe; access to the safe must be limited to the custodian.

5. If possible, the organization's executive director and the Head of Finance should establish a maximum level for cash-on-hand. Any cash in excess of the prescribed on-hand level should be kept at a secure banking location elsewhere; funds should be drawn from that bank when needed.
6. Each cash receipt should be documented by the following:
    a. Cash remittance advice or cash transfer advice (when applicable)
    b. Pre-numbered, multi-part cash receipt slip, signed and dated by the custodian and by the payer or cash courier. The original slip should be returned to the payer or courier and a copy should be attached to the cash receipts voucher. The custodian should retain another copy in a separate file for sequential control purposes.
    c. Cash receipts voucher signed by the voucher's preparer and approver, with copies of the cash receipt slip and remittance or transfer advice (when applicable) also attached. (Note multiple cash receipts can be included on a single cash receipts voucher as long as they are shown separately on the voucher.)

7. Each cash payment must be made only for an authorized purpose and should be supported by a combination of the following documents, as applicable:
    a. Approved purchase requisition
    b. Price quotations or pro-forma invoices
    c. Bid comparison reports with explanation for basis of vendor selection
    d. Approved purchase order and/or contract
    e. Goods-received note
    f. When warranted, explanatory memo justifying any significant variance between items and quantities ordered versus those received
    g. Vendor's original invoice or employee's travel expense report
    h. Approved payment/advance request
    i. Pre-numbered, multi-part cash disbursement slip (required for all cash disbursements). The cash disbursement slip should be signed and dated by the custodian disbursing the cash and the payee. The original cash disbursement slip should be attached to the cash disbursement voucher and a copy should be given to the payee. The custodian should retain another copy for sequential control purposes.
    j. Cash disbursement voucher that includes all of the supporting documentation cited above, signed by the voucher's preparer and approver. A separate voucher should be prepared for each

cash disbursement. No two disbursements should be combined on a single voucher.

8. The custodian should be prohibited from authorizing payments.
9. The custodian must record all payments in a formal cash ledger. The ledger should show the date of and brief explanation for the purpose of the payment, the payee, amount paid, account(s) charged, and the running balance of the fund.
10. All cash transactions should be posted immediately to the cash ledger.
11. In addition to the cash ledger, the organization must maintain a general ledger that includes all of the cash transactions plus all journal entries such as those to record liquidation of receivables balances, depreciation, reclassification, or correcting entries. Someone other than the cash custodian should maintain the general ledger. The journal entries should be recorded on standard documents known as General Journal Vouchers. The voucher's preparer and approver and the person who entered the transaction in the general ledger should sign the vouchers.
12. The custodian should count the cash-on-hand daily. The cash remaining in the petty cash box plus the sum of payments made from the date of the fund's last replenishment, less any cash received during the period, must agree to the total authorized cash level. Any difference should be brought to the attention of the Head of Finance or site manager for action.
13. Whenever there is a change of custodial responsibility, the cash count must be performed and an official handover of cash and documents must be made. A third person must witness and sign the handover process.
14. A designated employee should conduct an independent cash count at least once a week. The results of that count should be documented and reported to the Head of Finance or site manager.
15. At least once a month, a designated employee who is independent of the other cash functions should conduct an unannounced cash count. That cash count should be documented and reported to the Head of Finance or site manager.
16. All cash disbursement vouchers should be canceled to prevent their reuse.
17. All vouchers should be systematically filed in a lockable cabinet or locked room; access to those files should be restricted to designated employees.
18. Similarly, access to the cashbook and the general ledger should be restricted. If the cashbook and/or general ledger are/is prepared

manually, it should be stored in a locked safe during non-working hours. If the cashbook and/or general ledger are/is kept on a computer, the files or computer should be password protected and backed up, at a minimum, weekly. Daily back-ups are recommended, if possible.

FINANCE BUSINESS PROCESS 6.4 – RECEIVABLES MANAGEMENT

PROCESS DESCRIPTION

Amounts owed to the organization are assets and should be classified in the asset category “receivables.” The liquidation of trade receivables generally results in future cash inflows. However, other types of receivables, such as amounts advanced to employees for business-related travel or to subrecipient organizations to perform project-related tasks, when liquidated, will usually result in expense charges.

The organization needs to establish firm deadlines for receivables collection. For receivables that arise from transactions with external parties, the deadlines for cash remittances and/or liquidation reporting should be clearly spelled out in the contracts or agreements between the parties. For receivables due from the organization’s employees, the cash remittance and/or liquidation report submission deadlines should be made clear in the organization’s policies and procedures and consistently enforced.

Effective management of receivables requires that all accounts receivable balances be analyzed at least on a monthly basis. The most common and effective receivables analysis is the aging report, in which the various individual open balances are listed along with the dates of the financial transactions that gave rise to those balances and the accounting voucher references. The reports should be distributed monthly to the respective organization officials responsible for collection and/or liquidation of the balances.

PROCESS FLOW

STEP 6.4.1 – RECEIVABLES MANAGEMENT

STEP NAME	RECEIVABLES MANAGEMENT
Step Number	6.4.1
Organizational Role	Head of Finance Accountant
Inputs	Approved advance requests
Outputs	Aging reports
Integration Points	Collaboration with management as well as Purchasing and Programming departments
Summary	Amounts owed to the organization should be recorded as receivables, which are assets of the organization. They should be closely monitored to ensure timely collection or liquidation and should be accurately stated and appropriately classified.

Types of Receivables

A separate general ledger account should be set up for each type of receivable that the organization expects to administer. Types of receivables that are common to many organizations include the following:

1. Trade Receivables – Balances arising from trade sales, where applicable. Balances in this account are cleared through cash/check/wire remittances.
2. Travel Advances – Amounts advanced to employees for business travel purposes. Balances in this account are normally cleared by the submission of approved travel expense reports and or cash receipts, supported by the appropriate documentation. Such advances are to be fully liquidated at the end of each trip. New advances should not be issued before an old advance is fully liquidated.
3. Employee Receivables – Amounts owed by employees for payments made on their behalf. These balances are cleared by collection of cash/checks or by payroll deductions where allowed by law.
4. Project Advances – Advances to subrecipient organizations to conduct approved project activities. Balances in this account are normally cleared through the submission of liquidation reports. The amounts reported should be verified by the organization through the inspection of the subrecipient's supporting documentation.
5. Salary Advances – Amounts advanced to employees with the understanding that the amounts advanced will be repaid by the

CARL D. WALSH FOR CRS

A village leader in the Democratic Republic of the Congo keeps order while beneficiaries wait to receive their cassava seed in the North Kivu province.

employee within the period dictated by local labor law as deductions against wages to be paid. The organization should have a policy that will be applicable with local laws regarding the repayment of salary advances.

6. Advances to Suppliers – Amounts paid to suppliers prior to the receipt of goods or services. This account is cleared when the goods purchased are delivered or the service is rendered by netting the advance against the amount due.

Standard Receivables Management Disciplines

The following are standard disciplines that aid in managing receivable balances:

1. The organization's policies should clearly indicate when each type of receivable is due. The collection or liquidation deadlines should be communicated in writing to the other parties. When appropriate, a deadline should be incorporated into the terms of an agreement with the party to whom funds will be advanced.
1. One or more organization officials should be assigned the responsibility of monitoring open balances and for following up on delinquencies.
2. Advances should not be issued to parties that have delinquent balances.
3. Each balance should clearly indicate the party that owes the funds.
   a. If the organization uses a computerized general ledger system, each owing party should be assigned an identifying number (vendor code) that is entered into the general ledger or a subledger every time a receivable transaction with the owing party takes place.
   b. If the organization uses a manual general ledger, it is recommended that the receivable transactions with the various debtors be also recorded in a separate subsidiary ledger or other record that is summarized and reconciled to the general ledger monthly. A separate subsidiary ledger or other record should be maintained for each receivable general ledger account.
5. Shortly after the books are closed each month, the organization's Finance department should provide management and the employee(s) assigned the responsibility for receivables collection and follow-up reports for the open receivable balances. The reports should be "aged" to show when each open balance arose to facilitate the monitoring and collection efforts.
6. The general ledger system or the subsidiary ledger should provide a complete audit trail to support each open balance.
7. Reserves should be set up for those account balances that appear to be uncollectible. A reserve is set up by recording a debit to a bad debts expense and a credit to a receivables reserve account.

It is recommended that approval from a senior official such as the executive director be required to set up reserves.

8. Account balances that are uncollectible should be written off. In a policy, the organization should describe the process to be followed for write-offs and the approval(s) needed. Receivable balances are written off by recording a debit to a reserve account and a credit to the applicable receivable account. It is recommended that approval from a senior official such as the executive director be required to write off receivable balances.

FINANCE BUSINESS PROCESS 6.5 – FIXED ASSET ACCOUNTING

PROCESS DESCRIPTION

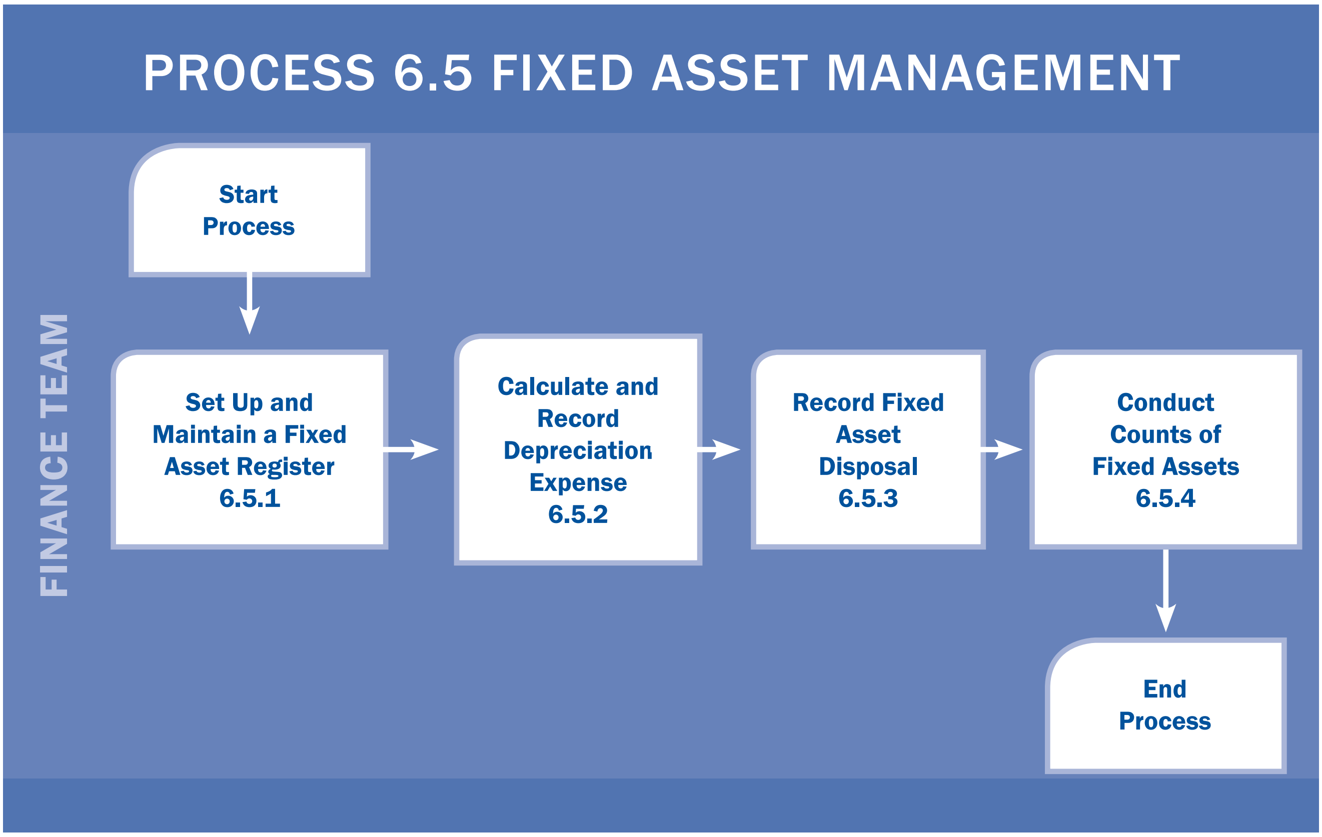
Fixed assets are the organization's tangible long-term property, plant, and equipment that have estimated useful lives of more than one year.

The Finance department should record each fixed asset addition in the general ledger and in the Fixed Assets register (ledger) as per the following guidelines:

- If the asset was purchased from the organization's unrestricted private funds, the accounting entry would be made on a cash disbursement voucher as a debit to the fixed asset account and a credit to cash.
- If the asset was received as an-kind contribution from a private donor or as an unencumbered in-kind award from a grant donor, the accounting entry would be made on a general journal voucher as a debit to the fixed asset account and a credit to in-kind contributions revenue.
- If the asset was received from a grant donor that retains ownership of the asset and requires its approval for disposition of the asset at the conclusion of the grant award, the accounting entry would be made on a general journal voucher as a debit to the appropriate grant line item expense account and a credit to the grant liability account. (The liability account will be reduced when the organization recognizes grant revenue for the expense recorded against the grant.) *

* **Note –** *Generally accepted accounting principles (GAAP) require that long-term assets be recorded as fixed assets and depreciated over their estimated useful lives. For fixed assets purchased with grant funds or received from a grant donor that retains ownership of the asset, additional accounting entries will be needed to comply with GAAP while accommodating the grant donor's reporting requirements. Organizations should seek guidance from their external auditors on any additional accounting entries needed.*

PROCESS FLOW



STEP 6.5.1 – SET UP AND MAINTAIN A FIXED ASSET REGISTER

STEP NAME	SET UP AND MAINTAIN A FIXED ASSETS REGISTER
Step Number	6.5.1
Organizational Role	Accountant
Inputs	Fixed asset additions Fixed asset disposals
Outputs	Depreciation expense Fixed assets reporting
Integration Points	General ledger transaction processing
Summary	The register is used to capture detailed information about the organization's fixed assets.

The fixed asset register should contain the following information:

- Name and description of the asset
- Cost, including purchase price, unreimbursed taxes, duties, delivery costs, and installation fee
- Accounting transaction reference number
- Cash disbursement voucher or check number (for purchased assets)
- General journal voucher number (for donated assets)
- Acquisition date (month and year)
- Location
- Employee to whom the asset has been assigned or who has custodial responsibility for the asset
- Condition
- Asset number (Should be assigned by the Administration department)
- Manufacturer's serial or model number
- Owner (Indicate who has title to the equipment)
- Estimated useful life
- Monthly depreciation expense
- Funding source, if asset acquisitions have been funded by multiple donors

STEP 6.5.2 – CALCULATE AND RECORD DEPRECIATION EXPENSE

STEP NAME	CALCULATE AND RECORD DEPRECIATION EXPENSE
Step Number	6.5.2
Organizational Role	Accountant
Inputs	Fixed asset additions Fixed asset disposals
Outputs	Depreciation expense general journal entries
Integration Points	General ledger transaction processing
Summary	Since fixed assets benefit the organization over a number of years, their cost should be expensed over the periods that benefit from use of the asset. Depreciation expense is the distribution of the cost of a fixed asset over its estimated useful life.

The organization needs to designate an estimated useful life for each type of fixed asset it acquires and should use that estimated life to depreciate all assets in that category. The organization should refer to local professional accounting standards or practices to make the determination of useful life. Suggested asset lives are the following:

- Computer equipment – three to five years
- Furniture and equipment other than computers – 10 years
- Vehicles – three to five years
- Buildings – 40 years
- Leasehold improvements – If the related facility lease has an automatic renewal option, then the recommended asset life is 40 years. Otherwise, the improvements should be depreciated over the remainder of the lease term.
- No asset life should be assigned to land, nor should land ever be depreciated.

Depreciation expense should be recorded monthly on a general journal voucher as a debit to depreciation expense and a credit to accumulated depreciation. Accumulated depreciation is the sum of the depreciation expense recorded since an asset's acquisition date. Depreciation entries should cease for a given asset once it has reached the end of its estimated useful life. The accumulated depreciation for a given asset should never exceed its cost. The asset cost and the accumulated depreciation should remain on the books until the disposal of the asset takes place.

There are various methods of recording depreciation expense. It is recommended that the organization use the straight-line method of recording depreciation expense unless local standards or local practice dictate otherwise. The straight-line depreciation method spreads the asset's cost evenly over its estimated useful life, beginning with the month it was first placed into service. The organization may elect to use one or more expense accounts to record depreciation expense in the general ledger, depending on donor requirements.

The information contained in the fixed assets register should be used to develop the standard monthly depreciation expense entry. The following should be noted:

- If the fixed assets register is maintained using fixed assets computer software, the software will calculate the amount of depreciation expense each month.
- If a manual ledger is used, the monthly depreciation expense over the estimated life of each asset should be shown in the ledger. A spreadsheet should be prepared to summarize the depreciation expense for all assets by each asset type and funding source. The totals per the spreadsheet should be used as the basis for the depreciation entry.

STEP 6.5.3 – RECORD FIXED ASSET DISPOSALS

STEP NAME	RECORD FIXED ASSETS DISPOSALS
Step Number	6.5.3
Organizational Role	Accountant Administration department
Inputs	Fixed asset disposal forms
Outputs	General journal entries (for disposals)
Integration Points	Custodial department (administration) Cashier
Summary	A key responsibility of any organization is to safeguard its assets. Fixed assets are the most visible and often the most significant assets owned by an organization. Documentation and reporting are necessary to ensure that the physical controls are effective.

The organization should use a standard form to document its fixed asset disposals. A pre-numbered two-part form is recommended. The form should contain two sections: a request section and a disposal section.

Request

The department responsible for the custody of the organization's assets (normally the Administration Department) should submit a form for each requested disposal and route it to the appropriate official for approval. The following information should be contained in the Request section of the Fixed Assets Disposal form:

- Description of the asset
- Current condition of the asset
- Asset cost
- Current net book value of the asset (cost less accumulated depreciation)
- Asset location
- Fixed Asset number (as assigned by the organization)
- Serial number (as affixed by the vendor, if applicable)
- Reason for the disposal
- Nature of the disposal (sale, transfer, discard, or abandonment)
- Date of the request

- Name and signature of the requester
- Name and signature of the designated approver
- Date approved
- Estimated amount of proceeds to be received, if to be sold
- An indication as to whether prior approval has been obtained from the donor, if required
- An indication as to whether clearance for a sale has been obtained from the local government if the organization is tax exempt and if such approval is so required by local regulations

If a disposal request has been approved for an asset sale, the organization should require the solicitation of sealed bids. Bids received should be opened in the presence of several specified organization officials. Once a winning bidder has been selected and notified, documentation to support the bidding process and buyer selection should be kept on file. If the asset was purchased via funding from a grant donor, the organization should seek donor approval, if required, prior to the sale.

Disposal

Once disposal has taken place, the custodial department should complete the second half of the disposal form, which should contain the following **additional** information:

- Date disposal took place
- Amount of proceeds received (if sale)
- Amount of cost incurred to dispose of the asset (if any)
- Name and signature of the designated employee attesting to the disposal

The original disposal form should be sent to the organization's Finance department for support of the accounting entry/entries needed to record the disposal. The custodial department should retain a copy of the completed form.

At the time of the disposal, the Finance department should do the following:

- If a sale took place, the cashier should receive the cash directly from the purchaser and record the receipt of the proceeds on a cash receipts journal voucher by debiting the cash account and crediting a gain/loss on the sale of fixed assets account, which is an "other income" account. The cashier should issue a Cash Receipt form to the purchaser (original), retain a copy of the form on file, and attach a copy of the form to the cash receipts journal voucher. If the purchaser paid by check, a copy of the purchaser's check should also be attached to that voucher.

- In the same fiscal month, the Finance department should record the disposal of the asset on a general journal voucher. The original fixed asset disposal form should be attached to the general journal voucher, which should be cross-referenced to the cash receipts journal entry if a sale took place. The disposal entry will vary depending upon whether or not the asset is fully depreciated.
- If the asset is fully depreciated, the entry will be to debit the accumulated depreciation account and to credit the fixed asset account.
- If the asset is not fully depreciated, the entry would be to debit the accumulated depreciation account for the amount of its balance, to debit the net book value of assets disposed of or sold account for the asset's net book value, and to credit the fixed asset account for the asset's cost. (Net book value is the difference between the asset's cost and the accumulated depreciation balance as of the date of the sale or other disposal.)
- The general journal voucher should be routed to the appropriate employee per the organization's authorization matrix for approval.
- After approval, the general journal voucher should be entered into the general ledger.
- The fixed assets register should be updated for the disposal using the information contained on the general journal voucher and the attached fixed asset disposal form.

STEP 6.5.4 – CONDUCT COUNTS OF FIXED ASSETS

STEP NAME	CONDUCT COUNTS OF FIXED ASSETS
Step Number	6.5.4
Organizational Role	Accountant Head of Administration
Inputs	Fixed asset count forms
Outputs	Count reconciliations General journal entries (for missing fixed assets)
Integration Points	Custodial department (administration)
Summary	Finance must reconcile fixed asset counts with the general ledger balances and prepare general journal vouchers for unreconciled differences. The organization should conduct physical counts of its fixed assets on a predefined frequency during the course of the year. It is highly recommended that the counts occur at least quarterly. In no case should the counts be made less frequently than yearly.

Employees who are independent of the fixed asset custodial and record keeping functions should supervise and conduct fixed asset counts. The head of administration should direct the counts. A standard preprinted form should be used to record the counts. The count sheets should be signed by the person(s) who performed the count(s) and approved by the head of administration. The original count sheets should be sent to the Finance department for reconciliation with the fixed assets register and the general ledger balances for the respective types of fixed assets. The Administration department should retain copies of the count sheets.

Count differences should be investigated and any asset shortages should be explained. In the event that a count is proven to be in error, an adjustment should be made to the pertinent count sheet after proper approval to make the adjustment has been obtained. For any missing asset, the head of administration should prepare and approve a fixed asset disposal form. That form should be attached to the general journal voucher used to record the reduction in the applicable fixed asset balance. The general journal voucher should be routed to the appropriate employee per the organization's authorization matrix for approval. After approval, the general journal voucher should be entered into the general ledger.

The fixed assets register should be updated for the disposal, using the information contained on the general journal voucher and the attached fixed asset disposal form.

Physical controls should be such that instances of missing fixed assets should be rare. The heads of administration and Finance should jointly address repeated occurrences or significant instances of missing assets with the Executive Director.

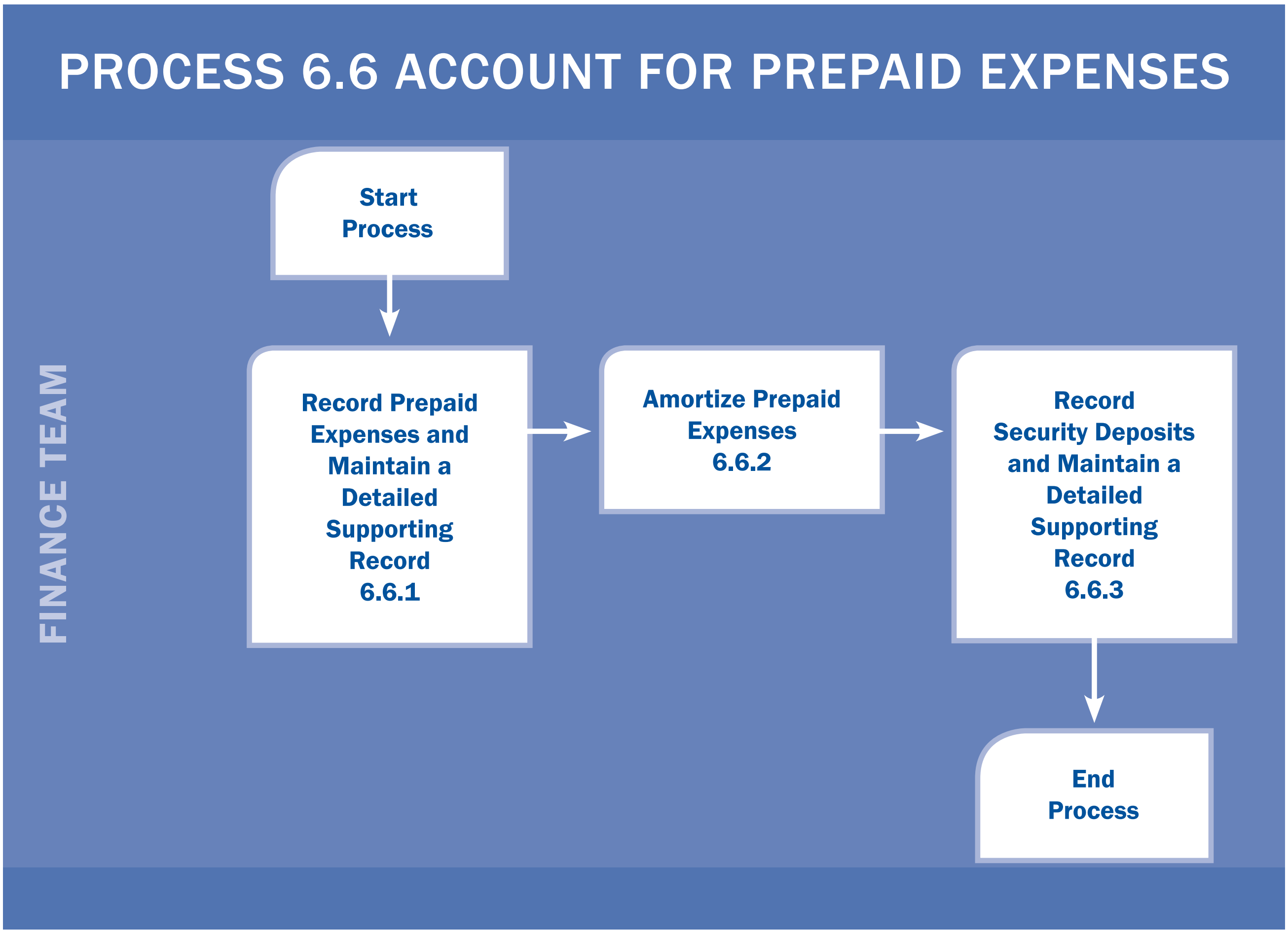
FINANCE BUSINESS PROCESS 6.6 – ACCOUNTING FOR PREPAID EXPENSES AND SECURITY DEPOSITS

PROCESS DESCRIPTION

Expenses paid in advance of the accounting periods that will benefit from those expenditures need to be accounted for as prepaid expenses. The cost of these assets is charged to expense (amortized) over the benefiting months. The organization's Finance department should maintain a detailed analysis of open prepaid items to facilitate their review and to help ensure that the balances are properly amortized.

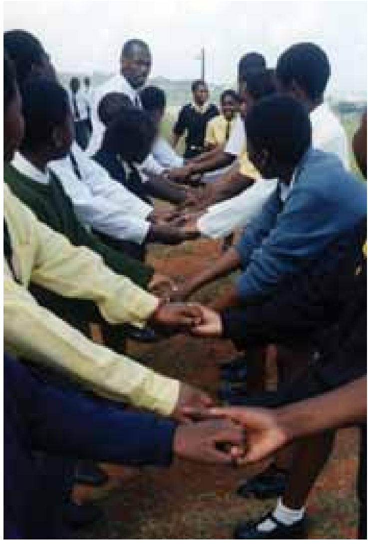
Security deposits, if material to the organization, should be recorded as assets. Unlike prepaid expenses, security deposits that are set up as assets should not be amortized since they are not consumed in the business and their value does not diminish over time.

PROCESS FLOW



STEP 6.6.1 – RECORD PREPAID EXPENSES AND MAINTAIN A DETAILED SUPPORTING RECORD

STEP NAME	RECORD PREPAID EXPENSES AND MAINTAIN A DETAILED SUPPORTING RECORD
Step Number	6.6.1
Organizational Role	Accounts payable clerk Accountant
Inputs	Documented standard practices established by the Head of Finance
Outputs	Cash disbursement entries Detailed analysis (register or worksheet)
Integration Points	Head of Finance
Summary	In the normal course of business, most organizations make payments that benefit future periods. Common examples of prepayments are those made in advance for office leases, insurance premiums, and computer maintenance contracts. The portion of the payment that benefits future periods should be recorded as a prepaid expense. To aid in tracking prepaid expense balances, the Finance department should maintain a detailed analysis of the open prepaid items.



DAVID SNYDER/CRS

In South Africa, a local non-governmental organization called SINOSIZO provides home based care and orphan support in HIV-affected communities around Durban.

Record Prepaid Expenses

The organization's Head of Finance should make the determination based on materiality and types of expenditures as to which disbursements should be set up as prepayments. Prepayments below the minimum threshold established by the Head of Finance should be expensed when paid. The decisions should be documented by the Head of Finance and copies of the documented decisions should be retained on file by the accountant.

The organization may set up a separate general ledger prepaid expense account for each type of prepayment or it may decide to keep all prepayments in a single account. If multiple types of prepayments are kept in a single general ledger prepaid expense account, care should be exercised to ensure that each prepayment is properly amortized.

Maintain a Detailed Supporting Record

The detailed record may be a formal ledger (register) or a worksheet. If an organization has more than one type of prepaid expense or has multiple general ledger accounts, a separate ledger or worksheet should be maintained for each.

The types of information that should appear in each detailed record include the following:

- Description of the prepayment
- Vendor
- Transaction reference number
- Transaction date
- Periods that will benefit from the prepayment (the term over which the prepayment is to be expensed, usually expressed as the number of months)
- Total amount of the prepayment
- Amount that will be expensed (amortized) each month
- Monthly beginning balance
- Additions (cash disbursements)
- Reductions (e.g., general journal entries for monthly amortizations, insurance premium refunds)
- Monthly ending balance

The monthly ending balance in each detailed record (if multiple prepaid expense accounts are used) should agree with the corresponding general ledger balance for each account. If only one prepaid expense account is used, the total of the ending balances for all of the detailed records should agree with the general ledger balance.

The detailed records should be reviewed monthly by the Head of Finance to ensure that they are sufficiently detailed and agree with the general ledger balance.

STEP 6.6.2 – AMORTIZE PREPAID EXPENSES

STEP NAME	AMORTIZE PREPAID EXPENSES
Step Number	6.6.2
Organizational Role	Accountant
Inputs	Data from detailed prepaid expense records
Outputs	General journal entries
Integration Points	Head of Finance
Summary	Prepaid assets should be charged to expense in the period(s) in which the organization derives benefit from the original expenditures. The process by which the prepaid expense balances are charged off to expense is known as amortization.

A designated employee in the Finance department should be responsible for preparing the monthly amortization entry. The designated employee should refer to the detailed accounting record(s) for the amount to be amortized for each account and/or type of prepayment every month. If a spreadsheet is used for prepaid expense tracking, a copy of the spreadsheet should be attached to each month's amortization entry.

Generally, prepaid expenses are amortized evenly over the benefiting periods. For example, if an organization is required by contract to pay the next year's rent in advance, payment should be recorded on a cash disbursement voucher as a debit to prepaid expenses and a credit to the cash-in-bank account. Each month during the lease term, the Finance department should record a debit to expense and a credit to the prepaid expense account on a general journal voucher for one-twelfth of the prepaid rent. By the end of the lease term, the rent prepayment should be fully amortized.

If several types of prepayments are maintained in a single general ledger account, care should be exercised to ensure that the cumulative amortization for each type of prepayment does not exceed the amount of the original asset.

If the benefit derived from the prepayment does not extend beyond the life of a specific associated project, the prepaid expense should be amortized within that project's term.

STEP 6.6.3 – RECORD SECURITY DEPOSITS AND MAINTAIN A DETAILED SUPPORTING RECORD

STEP NAME	RECORD SECURITY DEPOSITS AND MAINTAIN A DETAILED SUPPORTING RECORD
Step Number	6.6.3
Organizational Role	Accounts payable clerk Accountant
Inputs	Documented standard practices established by the Head of Finance
Outputs	Cash disbursement entries Detailed listing of all open security deposit balances
Integration Points	Head of Finance
Summary	Security deposits such as those required by utility and phone companies are not prepaid expenses and should be recorded in a separate asset account if these expenses are significant to the organization. If security deposits are minor in amount, consideration may be given to expensing them when paid.

Security deposits that are set up as assets should not be amortized. The Finance department should maintain a listing of all amounts charged to the security deposit account. The listing should contain the voucher reference, vendor name, date paid, amount paid, and a brief description of each payment. It is recommended that the Finance department also keep copies of related supporting documentation for each charge to the security deposit account until the deposit is recovered. Monthly, the Head of Finance should review the detailed records to ensure that they are sufficiently detailed and agree with the general ledger balance.

If the Head of Finance decides that payments for small security deposits should be expensed when paid, the criteria and threshold for making that determination should be documented in writing.

If the benefit derived from the security deposit does not extend beyond the life of a specific associated project, the security deposit should be liquidated before that project is closed.

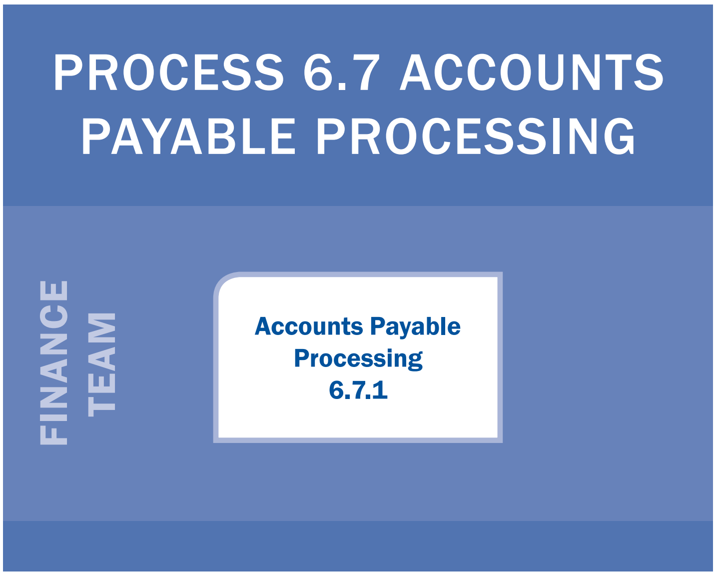
FINANCE BUSINESS PROCESS 6.7 – ACCOUNTS PAYABLE PROCESSING

PROCESS DESCRIPTION

Organizations that operate on an accrual basis for accounting purposes normally set up their impending payments as liabilities before they pay them. This process is known as *accounts payable*. Use of an accounts payable system, whether manual or automated, helps to ensure that expenses and asset acquisitions are recorded in the proper accounting periods, and that the corresponding liabilities are correctly stated at month's end. Accounts payable systems also aid in tracking open vendor invoices until they are paid.

Accounts payable transactions are recorded on a standard accounting entry document known as an accounts payable voucher.

PROCESS FLOW



STEP 6.7.1 – ACCOUNTS PAYABLE PROCESSING

STEP NAME	ACCOUNTS PAYABLE PROCESSING
Step Number	6.7.1
Organizational Role	Accounts Payable clerk Head of Finance
Inputs	Approved purchase order Supplier's delivery note Supplier's invoice Goods-received note Payment request
Outputs	Accounts payable voucher Check disbursement
Integration Points	Collaboration with procurement officer, Head of Finance and other unit heads
Summary	The Finance department is responsible for making payments after ensuring that all payment requests are duly approved, with adequate supporting documentation attached.

This process does not apply to those organizations that pay their vendors on a cash basis. For those organizations, all payments (other than payroll) are recorded on cash disbursement vouchers and vendors are paid immediately upon receipt of the goods or services.

Accounts Payable Process

Many organizations use an alternative process by which all types of impending payments (other than payroll) are recorded on a standard accounting entry document known as an accounts payable voucher and then paid at a later date. For those organizations that follow an accounts payable cycle, the process flow is as follows:

1. To begin the accounts payable process, the Accounts Payable clerk receives the following documents, when applicable:
   - From the procurement officer – purchase order, purchase requisition, competitive bid documentation, basis for vendor selection
   - From the supplier – invoice and delivery note
   - From the receiving clerk – goods-received note
   - From administration or Procurement – signed contract
   - From the requesting department – payment request (for services or for payments other the purchase of goods, such as for travel advances)

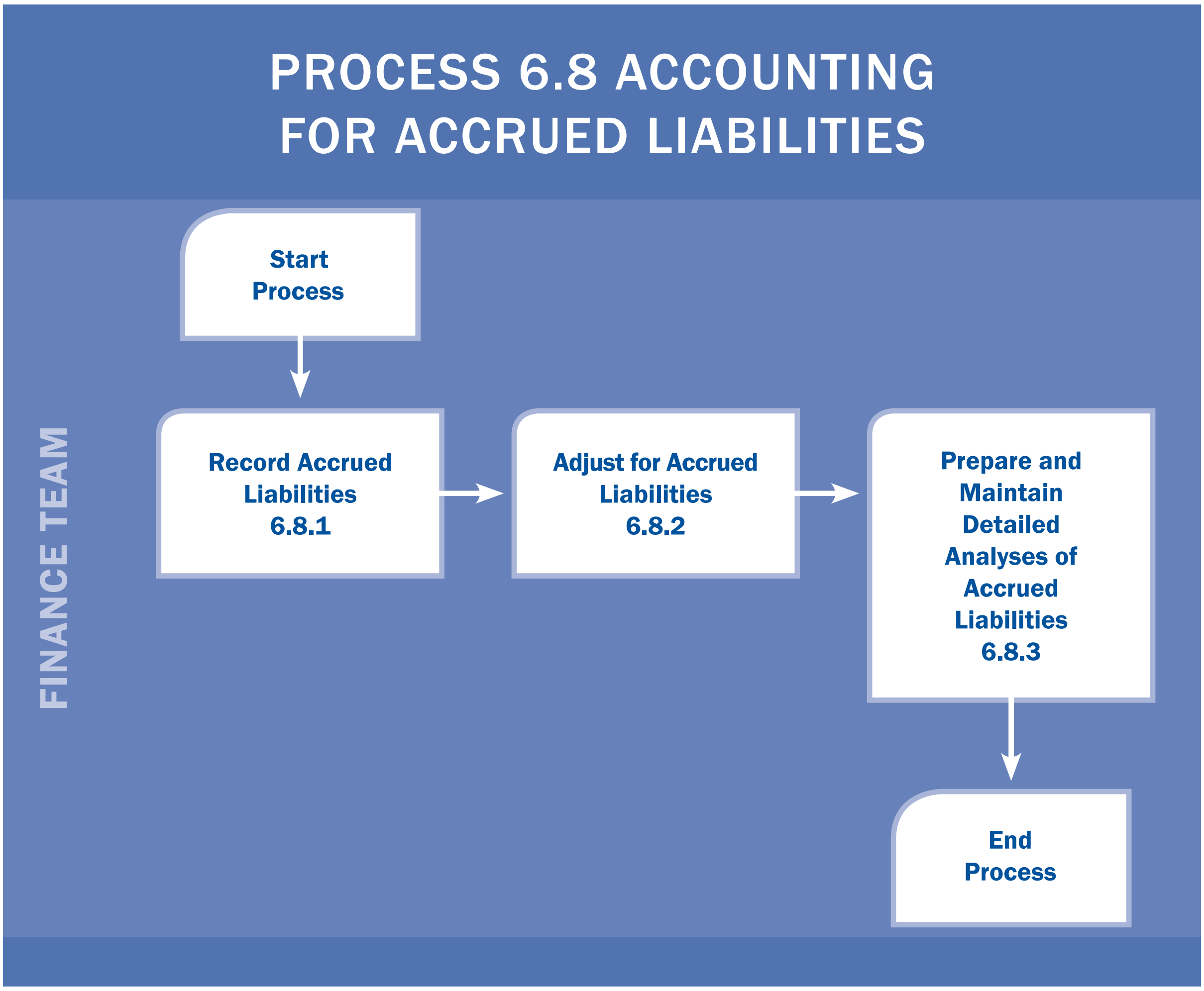
2. The Accounts Payable clerk then compares and verifies the documents received as described below:
   - If the transaction is for a goods purchase, the Accounts Payable clerk matches the descriptions, quantities, and unit prices per the supplier's invoice and delivery note to those indicated in the purchase order and the goods-received note.
   - If the transaction is for a contracted service, the Accounts Payable clerk matches the vendor's invoice against the terms of the contract and against the payment request.
   - If the transaction is for another type of payment, such as a travel advance, the clerk checks the request form received for proper approvals and account coding information and also checks open balances to see if the requested payment is compliant with the organization's policies.
3. Upon satisfactory completion of the verification process, the Accounts Payable clerk prepares an accounts payable voucher and attaches the supporting documents. On the accounts payable voucher, the appropriate account(s) is/are debited and Accounts Payable is credited. The clerk also prepares a payment request form if one was not received previously and submits the voucher and the request to the designated organization official for approval. The Accounts Payable clerk then attaches the approved payment request form to the voucher and posts the voucher to the general ledger or accounts payable (voucher) register, as applicable.
4. When it is time to make the payment, the Accounts Payable clerk prepares a disbursement check and routes the check and the voucher to the designated official for signature and approval. The disbursement is recorded in the cash disbursements journal as a debit to Accounts Payable and a credit to cash. The check, check copy, or check stub (if applicable) should contain a cross-reference to the related accounts payable voucher transaction reference number(s).
5. Once the check is signed, the check is distributed to the supplier/payee. If the payee or the payee's authorized representative picks up the check, that individual should be required to sign to acknowledge receipt of the payment. The payee's acknowledgment and a copy of the signed check should be attached to the voucher. The voucher package is then canceled and filed.

FINANCE BUSINESS PROCESS 6.8 – ACCOUNTING FOR ACCRUED LIABILITIES

PROCESS DESCRIPTION

A liability is an amount owed by an organization. For an accrual basis organization, the Finance department should record a liability for any debt incurred but not settled (paid) during a given month. It is often necessary to record an accrual if a liability has not been set up in the normal course of business. An accrual aids in ensuring that the organization's expenses, assets, and liabilities are properly stated at month's end.

PROCESS FLOW



STEP 6.8.1 – RECORD ACCRUED LIABILITIES

STEP NAME	RECORD ACCRUED LIABILITIES
Step Number	6.8.1
Organizational Role	Accountant Head of Finance
Inputs	Management estimates Organizational policy criteria Local government regulatory requirements Professional advisory services (attorneys, accounting firms, actuaries)
Outputs	General journal entries
Integration Points	Head of Finance Executive office Outside professionals
Summary	Organizations regularly incur expenses that will be paid in the future. To ensure that these expenses are booked in the proper period, organizations that maintain their records on an accrual basis should set up accrued liabilities in the months in which the expenses are incurred.

It is recommended that the organization set up a separate accrued liabilities general ledger account for each type of significant, recurring accrual. Accrued liabilities are recorded on general journal vouchers as debits to the appropriate expense accounts and credits to one or more accrued expense (liability) accounts.

The following are types of expenses for which accruals are usually needed:

- Pension
- Employee severance
- Employee salaries and wages (including vacations) earned but not yet paid
- Normal operating expenses that were incurred but for which the suppliers have not submitted invoices as of the end of a given month*
- Risk related to fraud or legal cases**

The Head of Finance should make the determination as to when an accrued liability should be set up or liquidated. Documentation supporting the reason for the accrual should be attached to the general journal voucher. If the reason for the accrual is confidential in nature, the documentation should be retained on file by the Head of Finance and a notation to that effect should be attached to the general journal voucher.

* *If the organization has received goods and the supplier's invoice, but has not paid the supplier before the end of a given month, the liability should be recorded as an account payable and not as an accrued expense.*

** *Expenses arising from fraud or legal issues should not be charged to donor awards.*

STEP 6.8.2 – ADJUST ACCRUED LIABILITIES

STEP NAME	ADJUST ACCRUED LIABILITIES
Step Number	6.8.2
Organizational Role	Accountant
Inputs	Instructions from the Head of Finance Notices from external parties
Outputs	General journal entries
Integration Points	Head of Finance
Summary	Accrued liabilities should be reviewed monthly and adjusted as necessary.

When a liability has been paid in full or in part, the portion of the liability that has been settled (paid) should be reversed on a general journal voucher as a debit to the accrued liability account and a credit to the account that was charged on the accrual entry. The reversing entry and the payment voucher should be cross-referenced and an explanation for the reversal should be included on the reversal voucher.

If management decides that all or a portion of an accrual relating to a non-grant activity is no longer needed, the portion of the accrual that is no longer needed should be reversed and an explanation of the reason that portion of the accrual is no longer deemed necessary should be attached to the general journal voucher.

If the organization has accrued an allowable expense against a grant award, but has determined that all or a portion of the accrual is no longer needed, the portion of the accrual that is no longer needed should be reversed. If the award is still active, the expense credit should reduce the next cash drawdown or reimbursement from the grant donor for that award. If the award has been closed, a payment should be made to the grant donor for the amount of the expense reversal. An explanation of the reason for the reduction in the liability should be included on the general journal voucher. All accrued liabilities booked for a grant or project must be settled before closing the grant or project.

If an accrued liability was based on an estimate that needs to be adjusted, the explanation and the basis for the adjustment should be provided on the general journal voucher.

The appropriate approver should sign all accounting entries for adjustments to or reversals of existing accruals.

STEP 6.8.3 – PREPARE AND MAINTAIN DETAILED ANALYSES OF ACCRUED LIABILITIES

STEP NAME	PREPARE AND MAINTAIN DETAILED ANALYSES OF ACCRUED LIABILITIES
Step Number	6.8.3
Organizational Role	Accountant
Inputs	Previous month's account analysis Review of current month's general ledger activity
Outputs	Account analysis for current month
Integration Points	Head of Finance
Summary	To aid in tracking accrued expense balances, the Finance department should prepare updated account analyses of the accrued expense balances at the end of every month.

A detailed account analysis should be prepared for each type of accrual. It is recommended that the account analysis be updated monthly and cover the entire fiscal year.

The types of information that should appear in the account analysis for each type of accrual are the following:

- Description of the accrual
- Party to whom the liability is owed
- Basis for the accrual (how it is calculated)
- Accrual balance at the beginning of the month
- Addition(s) to each accrual (indicate amount, transaction number, and transaction date) during the month
- Reductions in each accrual (indicate amount, transaction number, and transaction date) during the month
- Accrual balance at the end of the month

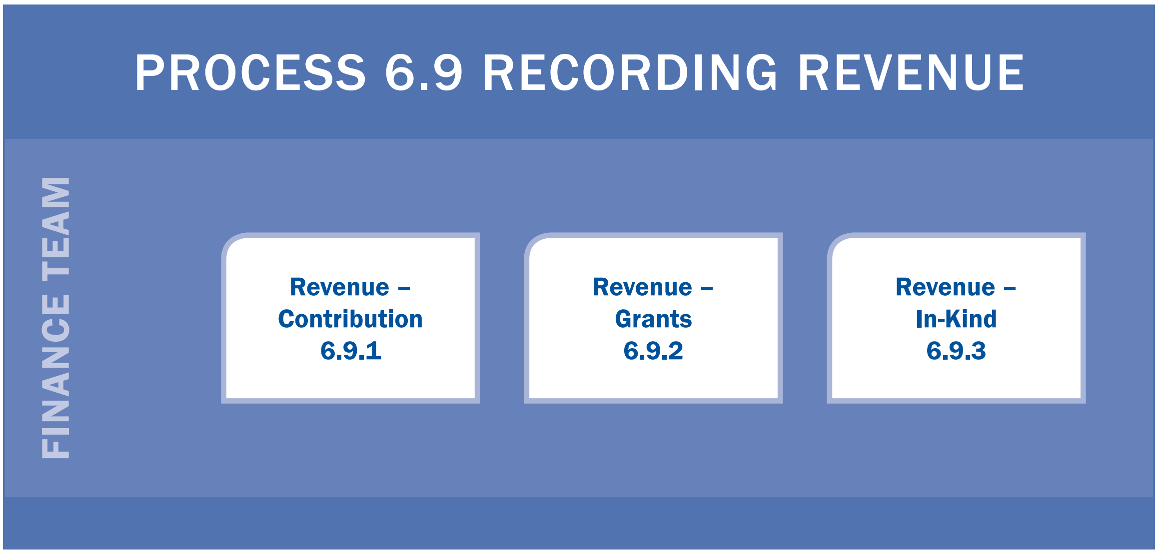
The ending monthly balance reported on each account analysis should agree with the ending balance in the corresponding general ledger account. The Head of Finance should review the account analyses monthly to ensure that they have been properly prepared and agree to the general ledger balance(s).

FINANCE BUSINESS PROCESS 6.9 – RECORDING REVENUES

PROCESS DESCRIPTION

This section will focus on revenue generated from cash contributions, cash grants, and in-kind donations. The accounting treatment for the funding received will vary depending upon whether the donor has placed any special conditions on the funding it has provided to the organization. There may be restrictions or requirements regarding the use of the funds, the time in which the funds are to be expended, reporting, or other areas. It is recommended that an organization maintain separate accounts for the different types of funding it expects to receive or for any revenue it expects to generate. This will make the process of analysis and reporting easier to manage.

PROCESS FLOW



STEP 6.9.1 – RECORD CASH CONTRIBUTIONS

STEP NAME	RECORD CASH CONTRIBUTIONS
Step Number	6.9.1
Organizational Role	Head of Finance
Inputs	Donor gift
Outputs	Cash receipt slip or contribution acknowledgment (form or letter) Bank deposit slip Cash receipt journal voucher
Integration Points	Fundraising staff Executive director
Summary	Contributions are defined as unconditional transfers of assets from a donor. *Unconditional* means the assets immediately belong to the recipient, even if there may be a restriction on the purpose for which they may be used or the time when they become available for use in the future.

The following are among the typical characteristics of cash contributions:

- No agreement is involved, other than fulfilling the donor's restricted intent (if any)
- No contractual liability exists to return any of the funds
- No formal financial reporting is required
- Funding is usually received from private parties, generally not from public entities

A cash contribution is recorded on a cash receipt voucher. The accounting entry that the Finance department should make to record a cash contribution is as follows:

- Debit bank account
- Credit contributions revenue account

STEP 6.9.2 – RECORD GRANT REVENUE

STEP NAME	RECORD GRANT REVENUE
Step Number	6.9.2
Organizational Role	Head of Finance Project officers
Inputs	Grant agreement
Outputs	Bank deposit slip Incoming wire confirmation
Integration Points	Collaboration with donors, project officers, subgrantees
Summary	Grants, also referred to as awards (including subawards) or cooperative agreements, are arrangements whereby the organization has a contractual funding relationship in which a donor provides financial support in return for the delivery of specified program services by the organization or its subawardee.

Organizations typically are required to perform the following actions to apply for and receive grants:

- Sign an agreement with the donor and agree to its specified terms
- Submit an itemized budget for approval by the donor
- Return unspent funds to the donor
- Submit formal financial reporting to the donor
- Comply with applicable donor regulations or requirements in administering the award

Grant revenue should be recorded in each month during which the organization incurs reasonable, allowable, and allocable expenses against the award. The steps that are typically followed are:

1. Grant funding received in advance should be recorded as a liability to the donor when received.
    a. Debit cash
    b. Credit grants payable
2. When reasonable, allowable expense is incurred.
    a. Debit expense
    b. Credit cash

CRS STAFF

In Laos, disability is still misunderstood and discrimination is common. CRS works with villagers to promote the acceptance and ensure that all children have an opportunity for education.

3. At least monthly, when expenses are incurred against the award, grant revenue should be recognized and the liability should be reduced.
    a. Debit grants payable
    b. Credit grant revenue

Each month, the Head of Finance should reconcile the total cash received from the donor with the revenue recorded against the grant and the outstanding liability to the grant's donor.

STEP 6.9.3 – RECORD IN-KIND CONTRIBUTIONS

STEP NAME	RECORD IN-KIND CONTRIBUTIONS
Step Number	6.9.3
Organizational Role	Head of Finance
Inputs	Donations Documents to support the value assigned to the donation
Outputs	General journal voucher
Integration Points	Collaboration with donors, project officers, fundraisers, executive director
Summary	In-kind revenue is defined as the donation of goods or services by an organization that does not require any form of payment in return.

Accounting for in-kind donations can be complex. The organization needs to fully understand the complexity and the appropriate accounting entries for recording in-kind donations in its general ledger. There is also a need to understand local laws, the donor's regulations, if applicable, and accepted accounting practices for undistributed commodities when revenue was already recorded by the donating agency.

1. In-kind donations received by an organization are typically valued and recorded in the general ledger as revenue. The valuation of the goods and services may be derived from the donor or the organization can conduct a market analysis to place a value on the item or services received.

2. When the valuation is complete for an unrestricted in-kind gift, the Finance department should record the following entry for the donation in the general ledger:
   a. Debit appropriate inventory/fixed asset/expense account
   b. Credit in-kind revenue

3. If an inventory account is debited when the goods are received, there must be a documented system for relief of inventory when the goods are removed from inventory for use by the organization or for distribution to beneficiaries. The accounting entry for relief of inventory items acquired via a non-grant source is as follows:
   a. Debit expense
   b. Credit inventory

4. For grant-funded projects, when goods are received the following entry should be recorded:
    a. Debit appropriate inventory/fixed asset/expense account
    b. Credit grant payable
5. For grant-funded projects, when inventoried goods are used or distributed, the entries needed are as follows:
    a. Debit expense
    b. Credit inventory
    c. Debit grant payable
    d. Credit grant revenue

FINANCE BUSINESS PROCESS 6.10 – PAYROLL PROCESSING

PROCESS DESCRIPTION

Payroll consists of all employee salaries, wages, bonuses, cash benefits, and deductions. The payroll function also includes the processing of all timesheets/effort-reporting documents. An employer must retain all records pertaining to payroll. Such records include salary and wage histories and all salary and wage deductions for the periods of time stipulated by statute and standard business practices.

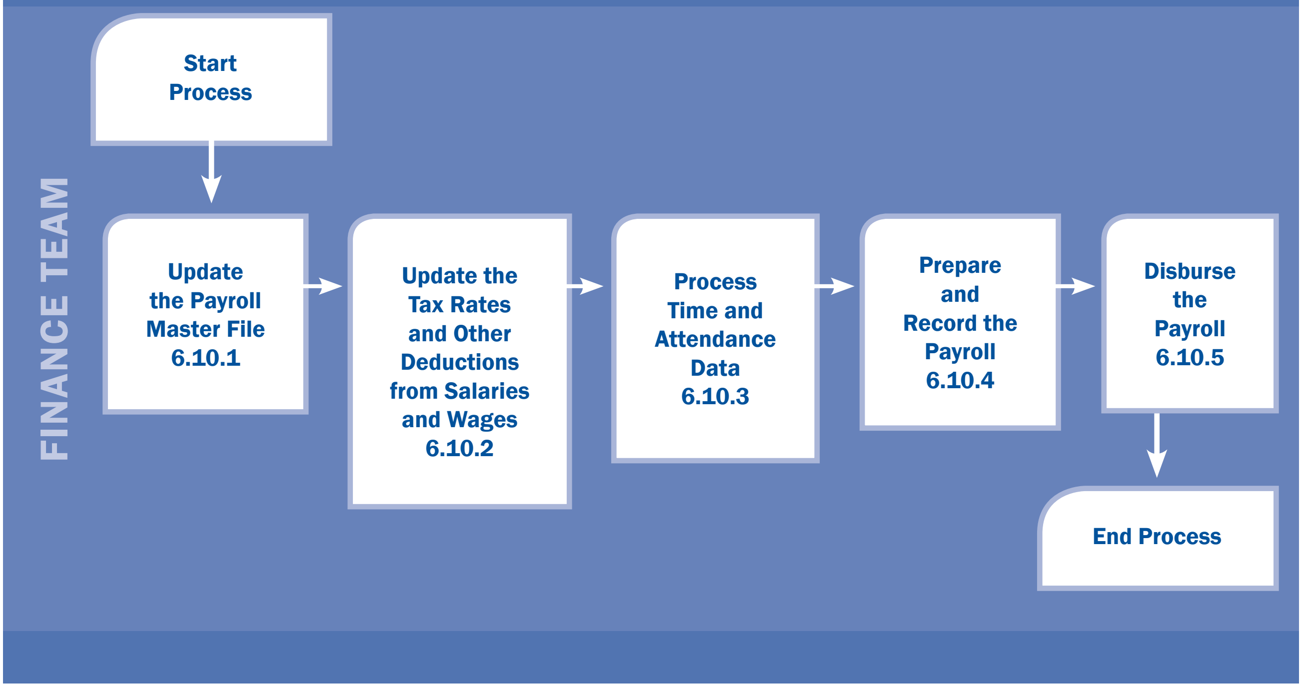
The following are the main features of a payroll system:

- Master salary records are maintained for all employees showing the current rates of pay, allowances, and statutory and voluntary deductions.
- The Finance department prepares both the payroll and payslips or pay notices, using information received from the Human Resources department.
- Regular full-time employees should be paid by check or wire transfer.
- Temporary employees may be paid in cash upon approval by management.

The payroll function must be independent of the Human Resources function. Due to the sensitive and confidential nature of payroll, it must be administered with due care and diligence.

PROCESS FLOW

PROCESS 6.1 BASIC ACCOUNTING REQUIREMENTS



STEP 6.10.1 – UPDATE THE PAYROLL MASTER FILE

STEP NAME	UPDATE THE PAYROLL MASTER FILE
Step Number	6.10.1
Organizational Role	Payroll accountant/clerk
Inputs	Personnel action form
Outputs	Updated payroll master file
Integration Points	Human Resources
Summary	The first activity in the payroll cycle involves updating the payroll master file in liaison with the Human Resources department to reflect various types of payroll changes. These include new hires, terminations, changes in employment status or pay rates, changes in discretionary or voluntary deductions, and changes in bank account numbers.

The Finance department should note the following when updating payroll files:

- For each employee, a master salary record is maintained. This serves as a permanent record of the data to be included in the monthly payroll and is in addition to the personnel files maintained for all employees by the Human Resources department.
- Finance receives changes to permanent employee records from the Human Resources department using an approved master salary record amendment form, often called a personnel action form. Personnel action forms are issued for each change in employment status or in the employee's deductions.
- It is important that all payroll changes are entered in a timely manner and are reflected in the proper pay period.
- Every pay period, the payroll master file should be reconciled with the Human Resources department's personnel files for each employee.
- Finance should provide Human Resources a cut-off date for submission of salary adjustment notices to allow sufficient time for processing in the current payroll.

STEP 6.10.2 – UPDATE THE TAX RATES AND OTHER DEDUCTIONS FROM SALARIES AND WAGES

STEP NAME	UPDATE THE TAX RATES AND OTHER DEDUCTIONS FROM SALARIES AND WAGES
Step Number	6.10.2
Organizational Role	Payroll Accountant/clerk
Inputs	Tax notices Personnel action forms Human Resources (administration) memoranda
Outputs	Payroll register Updated payroll master file
Integration Points	External – local revenue authority Internal – Human Resources/administration department
Summary	The second activity in the payroll cycle is updating information about tax rates and other deductions. The Finance department makes these changes when it receives notification of changes in tax rates and other payroll deductions.

Notices pertaining to salary and wage deductions come from external and internal sources. External notices pertaining to changes in tax rates usually come from local regulatory authorities. It is recommended that the organization seek a professional opinion on the application of payroll taxes. Notices pertaining to other deductions are generally received from the organization's Human Resources/administration department in the form of either personnel action forms (if directed to one or more specific employees) or official memoranda (if applicable to all employees or certain classes of employees). These inputs are used to update the payroll master file.

STEP 6.10.3 – PROCESS TIME AND ATTENDANCE DATA

STEP NAME	PROCESS TIME AND ATTENDANCE DATA
Step Number	6.10.3
Organizational Role	Payroll accountant/clerk
Inputs	Employee timesheets
Outputs	Labor distribution Payroll register
Integration Points	Department or unit heads
Summary	The third step in the payroll cycle is to process each employee's time and attendance data.

It is recommended that timesheet processing be conducted by the organization's Finance department. If the function is carried out by the organization's Human Resources department per local practice or regulatory requirements, the employee who performs the role should not engage in other payroll related tasks.

The organization should have a timekeeping system for tracking employees' salaries and wages charged to projects. Many grant donors require the use of individual timesheets to document employee time charged to their awards. This section has been developed under the premise that individual timesheets are required by the organization.

The following information, at a minimum, should be reported on the timesheet:

- Employee name (first and last names)
- Employee's identification number
- Assigned activities during the pay period (numerical codes may be used for this purpose)
- Hours worked each day
- Paid time off (for example, vacation or holidays)
- Signature of the employee
- Signature of the employee's supervisor
- Dates during which the reported activity was performed

Each employee should submit a timesheet for each pay period, using the organization's standard form. The timesheet should be submitted to the employee's immediate supervisor for approval and then routed by the supervisor to the employee who processes the timesheets. Timesheet preparation and submission process may either be manual or automated.

The timesheet should meet the following standards:

1. It must show an after-the-fact determination of the actual activity of the reporting employee.
2. All hours worked by the employee and all work-related activities in which the employee was engaged must be reported on the timesheet.
3. If the organization's practice is to submit timesheets manually, the timesheet must be prepared in ink and signed and dated by the reporting employee.
4. It must be prepared on a basis consistent with the employee's pay period, but not less than on a monthly basis. (See the example below.)

To allow time for timesheet and payroll processing, the timesheet reporting period for salaried employees should be cut off before the payroll period ends, since salaried employees are usually paid currently. Because the pay for hourly employees depends upon the hours they work, hourly employees are generally paid in arrears. Consequently, the timesheet cutoff dates for salaried and hourly employees may differ.

EXAMPLE OF TIMESHEET CUT-OFF FOR SALARIED EMPLOYEES

In this example, the following is assumed:

- The salaried employees are paid monthly on the thirtieth day of the calendar month.
- The pay period is through the end of the calendar month.
- It takes five working days to process the timesheets and to prepare the payroll.
- Employees are regularly instructed to cut off their timesheets as of the twenty-third day of the calendar month.

In this case, the labor distribution (gross salary expenses charged to each cost center) for the timesheet period from October 24 to November 23 will be the basis for the monthly payroll for salaried employees for the month ending November 30. The gross salaries per the labor distribution for the reporting month ending November 23 must agree with the gross monthly payroll for the month ending November 30.

STEP 6.10.4 – PREPARE AND RECORD THE PAYROLL

STEP NAME	PREPARE AND RECORD THE PAYROLL
Step Number	6.10.4
Organizational Role	Payroll accountant/clerk
Inputs	Employee timesheets
Outputs	Payroll register General journal entry
Integration Points	N/A
Summary	The fourth step in the payroll cycle is preparing payroll. Each payroll must be documented in a report known as the payroll register, which contains the names of the employees paid during the period and their pay rates, gross pay, payroll deductions, and net pay.

Payroll is summarized for all employees as follows:

1. Salaries and wages expenses, the employer's portion of payroll taxes, and other benefits and allowances are totaled by cost center or other charge code.
2. The employee's net pay is summed by payment type (e.g., bank payments, cash, or checks).
3. Payroll deductions are calculated for subsequent remittance to the appropriate parties.

An accounting entry is then prepared for recording the salaries and wages. The distribution of salaries and wages expense to the organization's various departments and projects as shown on the accounting entry must agree with the distribution of time charges on the employees' timesheets.

To ensure accuracy, the gross pay for the current pay period should be reconciled with that for the previous period using a standard reconciliation form.

Upon completion, the payroll register, payroll summaries, payroll reconciliation form, and the accounting entry for the salaries and wages are then submitted to the appropriate level of management for approval.

The Finance department should record liabilities for amounts withheld and pay the amounts due per statutory deadlines.

STEP 6.10.5 – DISBURSE THE PAYROLL

STEP NAME	DISBURSE THE PAYROLL
Step Number	6.10.5
Organizational Role	Payroll accountant/clerk
Inputs	Approved documents
Outputs	Cash disbursement entries, paychecks/payments to employees and pertinent payees
Integration Points	Approval authorities, Accounts Payable clerk/accountant, cashier, employees
Summary	The final step in the payroll cycle is the disbursement of the net pay to the employees and payment of the amounts withheld to the appropriate parties.

The payroll disbursement process entails the performance of the following tasks:

1. Once the payroll register, payroll summary, payroll reconciliation form, and the general journal entry for salaries and wages have been approved, those documents are then passed along to the designated employees for preparing payment to employees and the pertinent payees for salary deductions where applicable.
2. Cash disbursement vouchers are prepared to support the payment of salaries and the pay deductions.
    a. For those employees who are to be paid in cash, a check is issued to the cashier for encashment and payment.
    b. For those employees who are to be paid by check, individual checks are prepared in the names of the respective employees.
    c. If the organization does not have a commingled bank account, then it may be necessary to issue multiple checks to those employees whose salaries have been charged to more than one donor award.
    d. For those employers who are to be paid by bank transfer, a wire transfer request is prepared, approved, and submitted to the pertinent bank.
    e. An individual payment request is made for each type of payroll deduction that will require payment to an outside party.

- The checks and wire transfer requests, along with the respective cash disbursement vouchers, are then forwarded to the designated check signatory/voucher approver for signature.
- After the cash disbursement vouchers, checks, and the wire transfer

request (if applicable), have been signed, they are routed to the designated employee(s) and the payroll is disbursed as follows:

a. For employees paid in cash, the designated Finance employee, who receives a signed payslip form from each employee to acknowledge receipt of the pay, distributes the net payments.
b. For employees paid by check, for control purposes it is recommended that designated personnel other than the payroll preparer and the employees' immediate supervisors distribute payroll checks. The employees should sign to acknowledge receipt of their net pay.
c. For employees paid through bank transfers, an order is issued to the bank with pay summaries and the employees' personal bank account numbers.
d. In the event of absence of any employees who are paid in cash or by check, the undistributed amounts should be returned to the Finance department for retention in a safe until distribution takes place. For control purposes, the cash or checks should be returned to a designated employee other than the payroll clerk. Release of the cash or checks should be made directly to the employees upon presentation of the prescribed identification documents, not to the employees' supervisors.
e. For payments made in settlement of salary deductions (PAYE), checks are mailed/distributed or wire transfers are performed by the designated employee(s).
f. All employees should receive pay stubs with each pay. The pay stub should show the employee's gross pay, itemized payroll deductions, and net pay.
g. Given the confidential nature of payroll information, after the salaries and wages have been paid, the payroll register and all other supporting payroll documentation should be stored in a secured file, not with the related payroll voucher.

RICK D'ELIA FOR CRS

In Brazil, a woman prepares an order of shredded cassava for a hungry customer in the shop run by a local women's group.

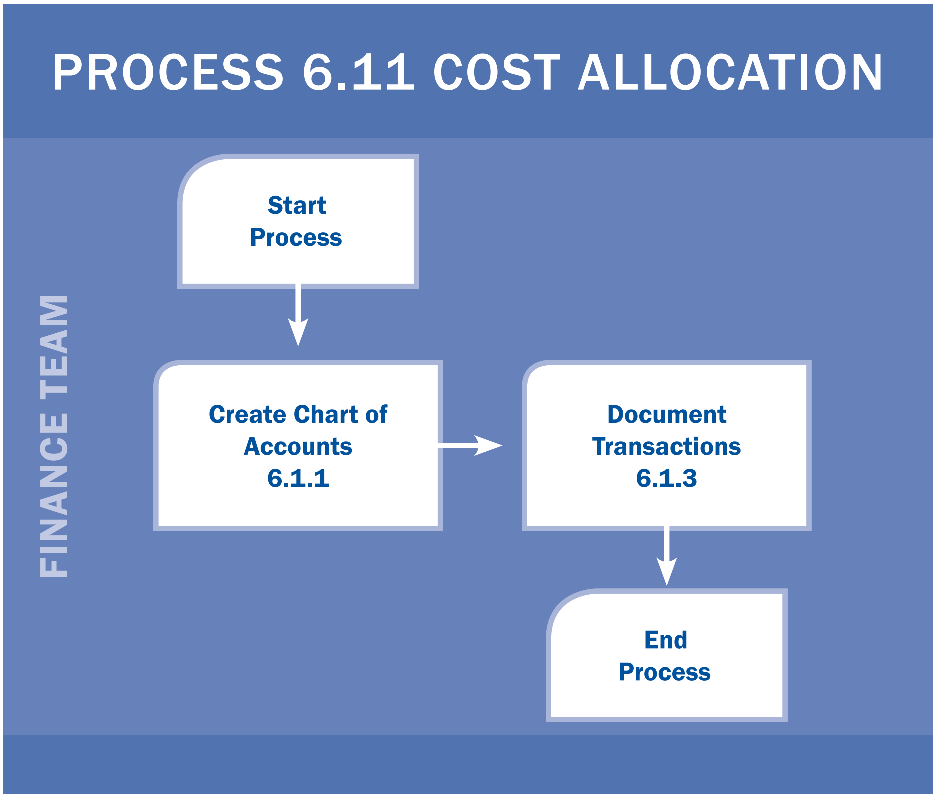
FINANCE BUSINESS PROCESS 6.11 – COST ALLOCATION

PROCESS DESCRIPTION

Shared costs are those expenses that are incurred for a common purpose but cannot be assigned directly to any particular project, donor, department, product, or segment of the business. Cost allocation is the process of distributing shared costs to the appropriate projects. Assigning expenses to projects in a consistent fashion provides management with the total cost of each project being implemented. For this information to be useful, management needs to have costs charged to projects using a methodology that is consistent and rational. The cost allocation methodology covered in this section will focus on allocating cost in the context of project management.

The objective of cost allocation is to charge expenses to projects based on the benefit that each project receives from the expense incurred. Using a documented systematic method to allocate shared costs ensures that each donor covers its "fair share" of allocable expenses. Allocating shared costs also helps to improve project management and resource stewardship through a fair and reasonable distribution of allocable operational costs across all funding sources.

PROCESS FLOW



STEP 6.11.1 – DEFINE AND DEVELOP COST ALLOCATION METHODOLOGY

STEP NAME	DEFINE AND DEVELOP COST ALLOCATION METHODOLOGY
Step Number	6.11.1
Organizational Role	Finance Management Programming
Inputs	Define cost drivers
Outputs	Documented cost allocation methodology
Integration Points	Administration Grant management
Summary	An effective cost allocation system will enable the organization to more accurately budget program needs. It will aid in compliance with donors' policies, procedures, and regulations and assist in maintaining a consistent, reasonable, and reliable accounting system.

There is no hard and fast rule for allocating shared costs to projects. Logic should be applied and the criteria chosen should be justifiable. The best cost drivers are those that can closely link the cost incurred to the benefit a project receives. For example, in allocating support staff salaries to projects, the number of employees working in each project might be used. For apportioning the cost of office rent, the office space occupied by the project staff assigned to each project is a reasonable allocation factor. Whatever method is chosen, it must be fair and justified, and once established it should be applied consistently.

The following steps are essential in implementing a cost allocation methodology:

1. Define Cost Drivers: The "fair share" is normally calculated by defining the cost driver. A cost driver is any activity that causes a cost to be incurred. This will vary based on the types of costs being incurred. Cost drivers have a direct cause and effect impact upon a cost. The following are examples of cost drivers:
    - Direct labor and/or machine hours
    - Beds occupied
    - Number of organization employees working on a project
    - Number of cost centers

- Amount of spending on a project
- Project staff costs
- Amount of space used by a department
- Number of beneficiaries in each project
- Actual consumption, e.g., kilometers traveled or photocopies made

2. Determine which costs the organization considers to be common costs that should be allocated using a cost allocation methodology. Some examples of common costs that normally benefit multiple projects are utility bills, office supplies, office rent, and administrative staff salaries.
3. Set up an auditable system to determine shared costs and how to account for them.
4. Develop a written policy that incorporates the allocation concepts.
5. Use the cost allocation methods described in the policy consistently throughout the year.
6. Base the cost allocation formulas on current actual data. Cost allocation formulas should be updated monthly to ensure that charges allocated to each project accurately reflect what happened for the month.

STEP 6.11.2 –PROCESSING OF COST ALLOCATION FOR POOLED COSTS

STEP NAME	PROCESSING COST ALLOCATION FOR POOLED COSTS
Step Number	6.11.2
Organizational Role	Finance Management Programming
Inputs	Create pools Collect cost driver information Allocate costs
Outputs	Projects receive fair portion of shared costs
Integration Points	Administration Fleet management
Summary	While allocation ratios can be applied at the transaction level, it is highly recommended the organization use the pooling method and allocate the shared cost at the end of an accounting period. Under the pooling method, all applicable expenses are charged to one or more cost centers at the time they are initially processed.

1. Finance sets up predetermined allocation pools in financial system.
2. Costs that benefit all projects are consistently charged to the appropriate pool throughout the month.
3. Finance collects cost driver information from the responsible staff/ departments at month's end.
4. At the end of the month, the pooled cost is allocated to different projects/departments using predetermined criteria.
5. The Head of Finance should ensure that all pooled expenses are allocated, leaving each pool's balance at zero at the end of each month.

Allocation of vehicle expenses

The most logical cost driver for vehicle expenses is the distance driven to administer each project or non-support department in a given period. Using this methodology, vehicle logs must be maintained to capture distances driven for each project/non-support department. The distance driven should be summarized at the end of a reporting period by project/non-support department. The ratio of each project/non-support department's distance driven to the total distance driven will be the basis for allocating vehicle expenses.

Distances driven for general support purposes and those that are not associated with one or more specific projects should be excluded from the total kilometers driven. If the organization allows employees to use its vehicles for personal purposes, those kilometers should also be excluded from the total kilometers driven and the employees should be billed for the use of the vehicles at the prescribed rate. Billings for personal use of vehicles should be recorded before the monthly vehicle expense allocation takes place.

Example: Organization X records all of its petrol, insurance, and vehicle maintenance costs in a given month to its vehicle pool, which totals $4,203. The following consolidated kilometer totals are pulled from the vehicle logs:

PROJECT	KILOMETERS DRIVEN
Project 1	1,856
Project 2	678
Project 3	2,789
Project 4	953
Total	6,276

This means the cost per kilometer is $0.67 ($4,203 ÷ 6,276 kilometers). Based on this calculation, each project would be charged the following fair share and the pool would zero balance after the allocation was processed:

PROJECT	ALLOCATION	CALCULATION
Project 1	$1,243	1,856 x $.67
Project 2	454	678 x $.67
Project 3	1,868	2,789 x $.67
Project 4	638	953 x $.67
Total	$4,203	

Allocation of Support Costs

Several cost drivers could be used; this section provides examples of two methods. It is the responsibility of the organization to choose the most appropriate driver for its programming portfolio so that the allocation is a fair and reasonable calculation and aligns with the support received.

Scenario 1: Using Beneficiary Counts

Organization Y provides medical services; each project serves a targeted group of beneficiaries. Using beneficiary numbers as the cost driver, the organization calculates total number of beneficiaries for each project during the month and its percentage of the total beneficiaries served by all projects. The month's total support cost (for Finance staff, information technology costs, etc.) of $14,789 is multiplied by the beneficiary calculation.

PROJECT	NO. OF BENEFICIARIES	% OF TOTAL BENEFICIARIES
Project 1	478	11%
Project 2	1,267	28%
Project 3	2,567	56%
Project 4	234	5%
Total	4,546	100%

Based on this calculation, each project is charged its fair share and the pool zero balances after the allocation is processed, as follows:

PROJECT	ALLOCATION	CALCULATION
Project 1	$1,627	$14,789 x 11%
Project 2	4,141	$14,789 x 28%
Project 3	8,282	$14,789 x 56%
Project 4	739	$14,789 x 5%
Total	$14,789	

Scenario 2: Using Direct Expenses

Organization Z implements justice and peace programming and has decided that each project's monthly direct expenses are what drive its support costs. Using direct expenses as the cost driver, the organization calculates the total direct expenses, net of exclusions,[1] for each project at month's end. The direct expenses at month's end for each project are divided by the total expenses for all projects to calculate the fair portion of support costs to be applied to the project.

1 If this method is chosen, the organization should determine what types of expenses, if any, should regularly be excluded from direct expenses when allocating support costs. The types of expenses that the organization decides to exclude should be listed in the organization's cost allocation policy.

Organization Z records all of the support costs that benefit all projects in the support cost pool during and at the end of the month for a total of $11,231. The following direct costs were charged to each project during the month:

PROJECT	DIRECT COSTS FOR THE MONTH	% OF TOTAL DIRECT COST
Project 1	$22,789	46%
Project 2	18,750	38%
Project 3	7,678	16%
Total	$49,217	100%

Each project takes its fair share of that month's support costs by multiplying the total support costs by the project's percentage of total direct costs. Based on this calculation, each project is charged its fair share and the pool zero balances after the allocation is processed, as follows:

PROJECT	ALLOCATION	CALCULATION
Project 1	$5,166	$11,231 x 46%
Project 2	4,268	$11,231 x 38%
Project 3	1,797	$11,231 x 16%
Total	$11,231	

Allocating Occupancy Expenses

The most logical cost driver for allocating occupancy expenses (e.g., office rent, electricity, water, etc.) is the office space occupied by the staff assigned to each project. Using this methodology, the organization must measure the total office space and calculate the square meters of common areas,[2] office space occupied by support staff, and office space assigned to projects. Common area space and that used by support staff should be deducted from the total office space measurement (referred to a revised base).

Each project's benefit is calculated by dividing the space used by the project by the revised base. The resulting percentage should then be applied to the total monthly occupancy expenses, including rent, electricity, water, maintenance, and security.

2 Unassigned space such as walkways, bathrooms, reception area, and general storage space

One benefit derived from using the floor space method is that it enables the organization to calculate the cost per square meter of the organization, which will help in the budgeting process. One drawback of using the floor space method is that some space may be used for more than just one project, which complicates the calculations. Depending on the method chosen, allocation of shared costs will require frequent updating as new project funds are initiated, projects are closed, and new employees are hired. The updates to the allocation computations should be carried out, at a minimum, quarterly.

Example: Organization X records all of its facilities expenses (rent, utilities, office security, etc.) in a given month to its facilities pool, which totals $14,603. The office measurements are:

OFFICE MEASUREMENTS	
AREA DESCRIPTION	**OFFICE SPACE SIZE – SQUARE METERS**
Common Space	18
Support Staff Space	9
Project 1	6
Project 2	12
Project 3	22
Total	67

The organization then calculates the revised base by excluding the common space and that used by support staff (those staff not charged directly to a project):

AREA DESCRIPTION	OFFICE SPACE SIZE – SQUARE METERS	% OF TOTAL REVISED BASE
Project 1	6	15%
Project 2	12	30%
Project 3	22	55%
Total	40	100%

Each project is assigned its fair share of that month's facilities costs by multiplying the total support costs by the percentage facilities revised base allocation. Based on this calculation, each project is charged the following fair share, with the pool zero balanced after the allocation is processed:

AREA DESCRIPTION	ALLOCATION	CALCULATION
Project 1	$2,190	$14,603 x 15%
Project 2	$4,381	$14,603 x 30%
Project 3	$8,032	$14,603 x 55%
Total	$14,603	

Budgeting for Cost Allocation

Allocated costs should be included in the organization's annual budgets. Estimates of the total annual costs should be developed for each of the pools for the upcoming year. The actual pooled costs for the preceding 12-month period may be used as the starting point for the estimate, adjusted for projected inflationary increases. Other factors that could affect the cost pools or the allocation of the pooled costs should also be taken into consideration. These factors may include changes in the organization's size, structure, project mix, or funding. Estimates for allocated costs should also be included in all grant budgets when proposals are submitted to donors.

FINANCE BUSINESS PROCESS 6.12 – GRANT ACCOUNTING

PROCESS DESCRIPTION

Grant accounting entails reviewing and complying with the terms and conditions stipulated in a grant agreement and recording of the revenue and expenses in an organization's general ledger. Grants, also referred to as awards (including subawards) or cooperative agreements, are arrangements whereby the organization has a contractual funding relationship in which a donor provides financial support in return for the delivery of specified program service by the organization or its subawardee. This section covers major finance-related functions for grants; it does not cover the broader spectrum of grants management that includes programmatic oversight.

PROCESS FLOW

STEP 6.12.1 – GRANT ACCOUNTING

STEP NAME	GRANT ACCOUNTING
Step Number	6.12.1
Organizational Role	Project officer Head of Finance
Inputs	Grant proposal Grant agreement Itemized budget and budget narrative
Outputs	Financial reporting
Integration Points	Collaboration with project officer and Head of Finance
Summary	Grant accounting is defined as a system of financial recording, monitoring, and reporting on the use of resources awarded to an organization from a donor agency.

1. The Proposal

An organization will be required to submit an itemized budget and a budget narrative/justification to support the activities described in the grant application.

2. Approval/Agreement

A donor will issue a notification letter to its awardee if it approves the funding application. The notification letter serves as approval to withdraw/request funding from the donor. In some cases, the donor will issue an agreement, requiring the grantee to sign it as evidence of acceptance of the terms and conditions of the award.

An organization's Finance department must familiarize itself with the financial terms and conditions of the agreement, including the treatment of interest, program income, reporting requirements, report formats, and the expected frequency for submitting financial reports.

Copies of the initial agreement and all subsequent modifications to the agreement should be kept in the Finance department.

Where donor funds are subgranted, the terms and conditions listed in the agreement, including reporting requirements, must be cascaded to the lowest level recipient.

3. Implementation

Grant funds drawn down in advance by the donor must be recorded as a liability in the general ledger.

Grant revenue should be recorded in each month in which the organization incurs reasonable, allowable, and allocable expenses against the award. The revenue recorded will reduce the grant liability created during the cash drawdown process.

Grant funded expenses should be recorded to the organization's general ledger. Each transaction must be reviewed to ensure that it meets the criteria set forth in the donor's regulations. All expenses must be reasonable, and allowable, and adequately documented.

If the organization subgrants to other partners, subrecipient awards will be issued to partners. Once executed, copies of the subrecipient award documents, including any modifications, must be filed in the organization's Finance department. The organization should make the appropriate entry in the general ledger to track and monitor advances issued and expenses liquidated as follows:

- When an advance is issued to a subrecipient the following entry will be recorded on a cash disbursement voucher:
  - Debit subrecipient advance account (receivable)
  - Credit cash account
- When a subrecipient submits a liquidation report for the expenses it has charged against the project and the documentation has been reviewed and verified by the Finance department, the Finance department will record the following entry on a general journal voucher:
  - Debit expense account
  - Credit subrecipient advance account

4. Reporting

According to the terms of the agreement with the donor, reporting requirements will be specified in the grant agreement. The organization may be required to report monthly, quarterly, semi-annually or annually and must ensure that it captures its spending and that of its subawardees.

5. Grant Financial Closure

The grant agreement and regulations governing the donor award will stipulate the closure requirements. At a minimum an organization will be required to perform the following tasks during a grant financial closeout process:

DAVID SNYDER/CRS

The CRS peace building team conducts a training on conflict resolution for traditional leaders in the war torn community of Tumbulo, near Cubal, Angola.

a. Review and ensure that all expenses charged to the award are allowable expenses incurred within the grant-funding period. Any costs determined to be unallowable should be reclassified before closing a grant.
b. The Head of Finance should determine if there are valid expenses incurred but not yet paid as of the grant's expiration date. If so, an expense accrual should be recorded in the general ledger on a general journal voucher with appropriate supporting documentation. The accountant will record a debit to the appropriate expense account and a credit to the accrued liability account. When the payment is made, a reversal to the accrued liability account will be recorded as a debit to accrued liability and a credit to the cash account.
c. Reconcile the general ledger with the fixed assets register and request for disposition of any fixed assets procured using grant funds.
d. Ensure that total spending charged to the grant funds in the general ledger does not exceed the total donor-obligated amount.
e. Clear all outstanding balance sheet items from the grant's cost center in the general ledger.
f. Return any unused funds to the donor.
g. Submit a final financial report to the donor.

6. Grant Specific Audits

Certain grant donors may require external audits of all activities and asset balances associated with their awards. This requirement is intended to provide assurance that their funds were properly safeguarded and all charges against their awards were in accordance with the terms and conditions of their grant agreements and in compliance with the applicable regulations.

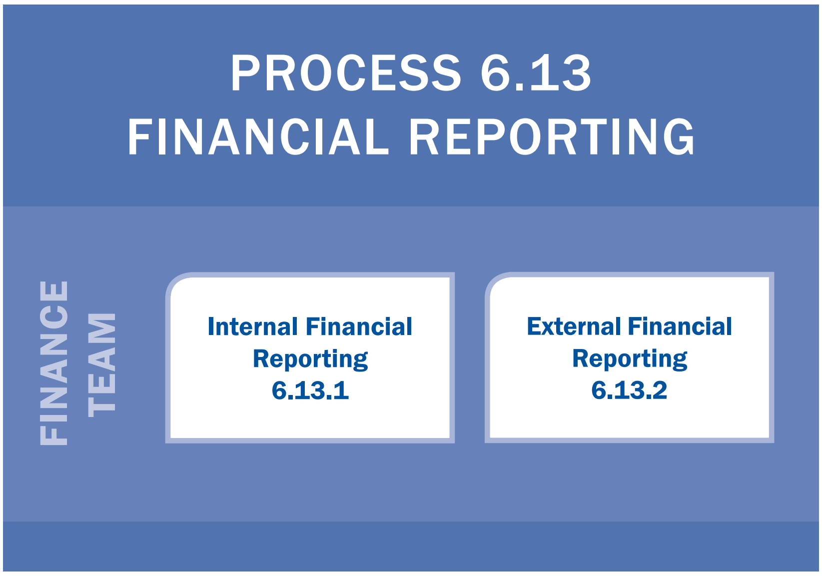
As a result of a grant-specific audit some expenses charged to the grant might be questioned or disallowed. Disallowed costs should be reclassified from grant expenses and the amount disallowed should be refunded to the grant donor. Questioned costs should be resolved to the satisfaction of the auditor. Any questioned costs that cannot be resolved to the auditor's satisfaction should be reclassified from the grant and returned to the donor.

FINANCE BUSINESS PROCESS 6.13 – FINANCIAL REPORTING

PROCESS DESCRIPTION

The purpose of a management reporting system is to consolidate financial information so that the organization's financial condition and activities can be monitored on a regular basis by management and other interested parties. This is achieved by the preparation of work plans and budgets that specify desired targets, results, and costs prior to the start of each fiscal year. During the year, financial reports enable management to assess the organization's progress against its planned objectives.

PROCESS FLOW



STEP 6.13.1 – INTERNAL FINANCIAL REPORTING

STEP NAME	INTERNAL FINANCIAL REPORTING
Step Number	6.13.1
Organizational Role	Finance department Management
Inputs	Financial results
Outputs	Financial statements Trial balances Budget comparison reports Cash flow statements
Integration Points	Board of directors Management Programming staff
Summary	The Finance department must provide management with consolidated financial information so that the organization's financial condition and activities can be monitored on a regular basis.

Financial reports should be prepared under the direction of the organization's chief financial officer. Prior to their distribution, all reports should be reviewed by the chief financial officer or equivalent. It is strongly recommended that the organization create a finance committee to review financial reports and to incorporate the reported results into the organization's decision-making processes. Descriptions of the trial balance, statement of activities, statement of position, and the cash flow statement appear in the glossary in this chapter's Appendix.

The following reports should be prepared monthly or quarterly as indicated and distributed to all members of the organization's executive management team and to the appropriate managers:

1. Trial Balance (monthly)
2. Statement of Activities – Income statement (monthly)
    a. Format 1 – Compares actual revenues and expenses for the month and year-to-date against the budgeted revenues and expenses for the comparable periods. This is essential.
    b. Format 2 – Compares actual revenues and expenses for the month and year-to-date against the prior year's actual expenses for the comparable periods. This is optional but recommended.

3. Budget Comparison Reports (monthly)
    a. Compares the actual expenses for each cost center (department and project) for the month and year-to-date by expense line item against the budgeted amounts for the same periods.
    b. A separate report should be prepared for each cost center.
4. Statement of Position – Balance sheet (monthly)
5. Memorandum explaining major variances between actual results and budgeted performance for the month and year-to-date (monthly)
6. Cash Flow Statement (at least quarterly and reviewed by executive management team members only)
7. Inception-to-date budget comparison reports for all grant-funded projects (at least quarterly)
    a. Provided to all related project managers, their immediate supervisors, and the head of programming operations.
    b. These reports should compare the cumulative actual expenses for each grant funded project against the comparable totals per the organization's amended internal budgets and the life-of-project totals approved by the donor in the related grant budget.
8. Any customized reports deemed relevant by the organization's chief financial officer, or equivalent, and the executive director.
9. Balance sheet accounts should be reconciled monthly. The analyses should be reviewed by the Head of Finance and retained on file. Each analysis should show the specific components of the account and the total for each analysis should agree with the ending general ledger balance for that account. Misclassifications and other posting errors that surface during the reconciliation process should be corrected immediately.

STEP 6.13.2 – EXTERNAL FINANCIAL REPORTING

STEP NAME	EXTERNAL FINANCIAL REPORTING
Step Number	6.13.2
Organizational Role	Finance department Management
Inputs	Financial results
Outputs	Financial statements Trial balance Budget comparison reports Cash flow statement
Integration Points	Banks, donors, government, prime recipients, and vendors
Summary	The organization's Finance department must provide external parties with consolidated financial information so that activities can be monitored on a regular basis.

External Reporting includes financial reports required by donors, the local government, banks, vendors, and prime recipients of grants. Reports required by external parties frequently include the organization's most recent audited financial statements, consisting of the following reports and the accompanying notes:

- Statement of activities (income statement)
- Statement of position (balance sheet)
- Cash flow statement

Standard practice for year-end reporting is to include the audited financial statements for the previous fiscal year. Any significant changes in accounting methods between the two years should be included in the footnotes to the financial statements.

Other reports required by donors are usually grant- or project-specific. Reports to grant donors should be submitted in accordance with the reporting deadlines and formats specified in the grant agreements and/or the donors' regulations. Grant reporting requirements may also include the following:

- Statement of cash receipts and payments reflecting all receipts, payments, and cash balances pertaining to the donor's award
- A copy of the organization's accounting policies
- Management's assertion that the funds provided by the grant donor have

been expended in accordance with the intended purposes as specified in the relevant agreement

All financial reports submitted to external parties must be prepared by the Finance department and must agree with the financial results recorded in the general ledger for the reported period. Reports to the local government should be prepared and submitted in accordance with local statutory requirements.

COMPLIANCE CHECKLIST FOR FINANCE

Finance is a discipline charged with responsibilities to determine value and aid decision-making about allocation and use of resources. In the commercial world the finance function has the responsibilities of acquiring, allocating, investing, and managing financial resources. The Finance function goes beyond recordkeeping; it brings together other functions, as the activities carried in the other functions have financial implications. The emphasis in the nongovernmental sector, beyond accurate recording, is on stewardship. The notion of stewardship manifests itself in concepts such as corporate governance and accountability.

Financial and physical resources are the tangible assets of the organization. Partners have a responsibility to exercise good stewardship of the resources—accomplishing programmatic objectives in a cost efficient manner, ensuring that there are effective internal control systems, and maximizing the benefits derived from use of those assets.

Financial management entails planning, organizing, controlling, and monitoring the financial resources of an organization to achieve its objectives. It should not be left to Finance staff alone.

Accounting and Auditing

Accountancy involves the writing-up of books of accounts and preparation of financial statements based on principles laid down by the Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB). Bookkeeping and accounting creates accounting records. *Auditing* refers to the independent checking of accounts and statements. It verifies records created by others. Audits are required to provide evidence that financial reports do not contain errors, do not hide frauds, are not misleading, do not fail to disclose relevant information, and do not fail to conform to regulations. The auditors will express an opinion on the financial statements, and they also produce detailed management reports on internal controls.

The principal characteristics of financial reports are the following:

- Understandability
- Reliability
- Relevancy
- Comparability

Users of Financial Reports

For each organization, there are various stakeholders who rely upon the organization's financial statements and other financial reports. Such stakeholders include the following parties:

- Employees
- Customers
- Suppliers/vendors
- Local and international governmental agencies
- Donors, whether providers of unrestricted or restricted funds or grants

Financial accounting in the not-for-profit sector differs somewhat from accounting in the for-profit sector, but there are fundamental accounting concepts that remain the same.

Accounting Concepts

Financial records should be maintained in accordance with the following fundamental accounting concepts:

- Going Concern – Management expects the organization to continue to run in the same way and to remain in operation for the foreseeable future.
- Consistency – Accounting policies, once adopted, should be applied consistently from one accounting period to the next.
- Prudence – Revenues should not be booked until they have been realized, but expenses should be recorded and liabilities recognized as soon as possible.
- Accrual Basis – Under this accounting method, revenue is recognized when earned and expenses are recorded when incurred. All income and expenses relating to the accounting period are taken into account, irrespective of the actual date of receipt or payment. (Those small not-for-profit organizations that operate on a cash basis should refer to ***Step 6.3.6 – Operating in a Cash Environment*** for detailed guidance.)

Objectives of Financial Reviews

Financial reviews are carried out to ensure that resources are used for authorized purposes in compliance with the laws, regulations, and provisions of the contracts or grant agreements and those performance goals are achieved. Compliance reviewers should obtain an understanding of the organization's policies and procedures and consider whether or not they are appropriate for the project activities as well as assess consistency with generally accepted accounting practices.

In most organizations, the Finance department is the custodian of internal control assessment and risk assessment. Such responsibilities go beyond the mandate of finance. In the absence of an internal audit department or a compliance unit, Finance is tasked with review of other function's manuals.

The organization manuals including finance and accounting manuals will vary, ranging from summaries to detailed and extensive manuals. The organization should have a comprehensive operations manual or separate manuals for each functional area.

Compliance reviews should be mandated by senior management. Approval of terms of reference and the review program should be received ahead of review.

Finance Compliance Review Steps

To have a better understanding of the organization's setup the following preliminary actions are essential:

- Review partner registration documents
- Review award agreements and amendments
- Inquiries of management and others within the organization
- Review external audit reports
- Review internal audit reports
- Review special project audits
- Review the Finance/Accounting manual
- Review contracts
- Review the general correspondence file
- Review project files
- Obtain the organizational chart. If one does not exist, document description of organizational set-up
- Obtain a copy of the organization's authorization chart
- Obtain chart of accounts
- Determine whether or not accounts are computerized
- Determine who prepares the accounts. Are there sub offices and decentralization? Are there project accountants?
- Receive sample copies of reporting formats, both financial and narrative
- Review income and expenditure reports, comparing levels of income and expenditure with prior period reports
- Verify reporting formats are in compliance with approved formats

- Obtain explanations for significant expenditure variances from budget line by line and by cost category

Compliance Checklists

Under this section the audit approach includes stating the control objectives where applicable and asking relevant questions to test risk assessment and compliance with policies and procedures. The checklists will ensure that there is an effective internal control system over the financial system to enable the organization to manage significant risks and monitor the reliability and integrity of financial and operating information. The checklists help identify gaps in the internal controls.

There should be a Finance manual that covers the following:

- Purpose and scope of manual
- Intended audience – who should use and how
- Procedures and authority for updates
- Financial calendar and internal reporting
- Fiscal year for the organization
- Fiscal periods
- Reporting periods and deadlines
- Reporting periods to headquarters – monthly, quarterly, and annual financial reports
- Cash and banking
- Budgeting
- Cash flow management
- Asset management
- Payroll
- Reporting

Control Objectives

- To ensure that the Finance department is managed in an orderly and efficient manner and supports partner operations
- To ensure adherence to management policies
- To safeguard assets
- To secure the accuracy and reliability of records

Segregation of Duties

Segregation of duties is a key component of an effective internal control system. ***No one person should be responsible for recording and processing a complete transaction.*** Every financial transaction involves the following five steps:

- Request – request to purchase/spend
- Approval – authorized personnel approve request
- Authorization – approval to purchase, issuance of purchase order
- Execution – purchasing, receiving, and payment
- Recording – accounting

Questions for Segregation of Duties

- Is the there an organigram for the department?
- Are the senior members of the team qualified accountants?
- Do Finance staff members have job descriptions?
- Are job descriptions updated?
- Are staff roles clear?
- Are staff roles meaningful?
- Are the job descriptions current and relevant?
- Do Finance staff members have copies of the authorization matrix?
- Do different employees prepare, approve, and post the accounting journal entries?

Basic Accounting Requirements

The organization should keep a complete set of accounting records. At a minimum, the accounting records should include the following:

- A general ledger that is all-inclusive. There should not be separate ledgers for separate donors. All activity for the organization should be included in one general ledger, unless the partner has multiple legal entities, in which case a separate general ledger should be used for each legal entity.
- A cash receipts journal
- A cash disbursements journal
- If cash (currency) is received, a cashbook for recording cash received and expended (the cashbook should show a balance at the end of each business day that agrees to the actual cash-on-hand.)
- Detailed account analyses of the organization’s assets and liabilities that agree to the respective general ledger balances at the end of each accounting period.

Account codes identify the nature of the items affected by transactions. General ledger accounts are usually grouped into the following major categories:

- Assets
- Liabilities
- Net Assets (formerly known as Fund Balances)
- Revenues
- Expenses

Questions for Basic Accounting

- Is there a chart of accounts/ledger listing?
- How are the different ledger accounts identified?
- Are the ledger accounts fully described?
- Does the chart of accounts match the accounting package accounting structure?
- Is the chart of accounts capable of tracking income and expenses by source of funding/donor?
- Who has the authority to update the chart of accounts (to add and delete leader accounts)?
- If there is an accounting package, is there a manual?
- Is there a cashbook?
- Who writes the cashbook?
- Are cashbook entries reviewed before posting to the accounting system?
- Is there a monthly review of the trial balanced and balance sheet?
- Is there a review of the statement of activities (Income Statement)?
- Is there a review of the budget comparison reports for all cost centers (department and project)?
- How are the expenditure vouchers filed?
- Is there a filing system for the vouchers?
- Can all vouchers be accounted for?
- Is there adequate security over vouches and other accounting records?
- Is there a security items register for checkbooks, purchase orders, invoices?
- Is there a system to ensure that payment vouchers are completed properly (requested, approved, authorized, and checked) before payment?
- Are receipts completed in full (dated, signed by payee and recipient, with amount shown in words and figures, and a reason for payment given)?

SR. ANN DUGGAN/CRS

Healthcare workers at Kenya's Kendu Adventist Hospital, in the city of Morcau.

- Are the receipts recorded properly with necessary information from the receipt voucher matching that in the entry in the ledger?
- Does the organization maintain a general ledger?
- Does the organization use a numbering system to account for all of its cash receipts, cash disbursements, general journal entries, purchase orders, goods receiving notes, waybills, etc.?

Bank Accounts and Disbursements

Wherever possible, organizations should establish and use bank accounts for the receipt and disbursement of funds. Bank accounts provide far more control over the flow of cash than the use of cash-on-hand funds. Nevertheless, it is important that the organization establish and enforce firm controls over setting up bank accounts, access to cash-in-bank funds, and disbursements.

Control Objectives

- To prevent unauthorized payments being made from the bank accounts
- To ensure all checks and cash received are banked intact
- To ensure that checks and cash received are banked without delay at prescribed intervals
- To ensure that all checks and cash received are accounted for

Questions Regarding Bank Accounts and Disbursements

- Is there a policy on opening bank accounts?
- Who approves opening and closing of bank accounts?
- Does the check register/cashbook/ledger show any unusual items (for example, unusually large payments, transfers between bank accounts, or payments to unusual suppliers)?
- Is there an approved list of bank signatories on file?
- Is there a policy on the number of signatures for each check, such as one signature for payments below $5,000 and two or more signatures for amounts above $5,000?
- Are there clearly outlined procedures on supporting documentation for payments?
- Are major payments, especially procurement, supported by the following?
    - Payment voucher (fully completed)
    - Supplier invoice (original)
    - Copy of contracts
    - Bid summary/bidding sheet

    - Local purchase order, duly authorized and approved
    - Pro-forma invoices or quotations
    - Goods-received note
    - Supplier advice note
    - Purchase requisitions
    - Other attachments
- Are all checks pre-printed as crossed payee only?
- If not, is the explanation for this reasonable?
- Are the blank spaces on checks crossed out to prevent alteration?
- Is the payee always written in full?
- Are blank checks ever signed by either of the signatories?
- Are checkbooks held in a secure location, e.g., in a safe?
- Are they recorded in a security items register and signed when issued?
- Are all canceled checks retained and filed/kept?
- Are check numbers verified to ensure that all checks have been registered in the check register and that canceled checks have been appropriately marked and held for verification?
- Are all expenditures documented on a sequentially numbered check voucher?
- Are they pre-printed?
- Are paid vouchers and the related supporting documents such as supplier invoice, purchase order, goods-received note, and all attachments stamped as “RECEIVED” and/or “PAID”?
- Does the check voucher contain the following standard information?
    - Check/voucher number
    - Nature/date/amount of the expense
    - Payee’s name
    - Bank transfer details
    - Approving and authorizing signatures
    - Check number
    - Accounting codes
    - Name and signature of the authorized representative who received the payment

- Do all checks and check vouchers presented to the authorizing signatory have the required supporting documentation?
- Are check vouchers approved for payment by the Finance officer/ manager prior to preparation of the checks for payment?
- Is there adequate segregation of duties between the person who prepared the check payment and the person who authorized/signed the check?
- Is a check performed of the vouchers to ensure that all have been registered in the cashbook?

Questions for Payments/Transfers to Partners

- Who is authorized to request transfers to projects?
- Who approves the transfers?
- How are the transfers sent? Are checks or cash hand carried by staff or are they sent by bank transfer?
- If hand carried, what checks are in place to ensure that the funds arrive safely?
- Do transfers comply with insurance conditions?

Petty Cash

The purpose of setting up a petty cash fund is to allow access to cash on demand for small payments. It is the responsibility of the organization's management to set the maximum petty cash balance, establish a limit of individual disbursement from the petty cash, and designate a petty cash custodian. Petty cash should be maintained on an imprest basis. The recommended level of the petty cash fund should range from two weeks' to one month's cash needs.

Questions for Petty Cash

- Is there a petty cash policy? Does the policies and procedures manual outline the imprest amount?
- Is there a designated custodian? Is the custodian trained to handle the petty cash?
- Is the petty cash fund kept in a locked safe with access limited to the custodian?
- Are petty cash records written up daily?
- Does a supervisor regularly review the records?
- Do the policies and procedures specify a maximum payment amount from petty cash?

- Are amounts above the limit paid by check?
- Are all payments accounted for? Are payments entered in the petty cash record in numerical sequence of petty cash vouchers?
- Does each voucher have following included?
  - Nature, date, amount of the expense
  - Claimant's name
  - Authorized signature
  - Claimant's signature on receipt of cash
  - Sequential number, if applicable
  - Approval of voucher additions
- Is each voucher supported by receipt, invoice, or other documentation?
- Are there IOUs held in petty cash? All such transactions should go through the proper channels.
- Are there procedures for petty cash handovers (e.g., when the keys are passed from the accountant to the cashier)?
- Is a petty cash count carried out during handovers?
- Do both officers sign and date the cash count sheet to confirm the count?
- Are receipts issued for cash received?
- Is the receipt/cash receipt voucher signed by the cashier as "RECEIVED"?
- Is the payee/staff signing on the receipt/cash receipt voucher?
- Is the receipt/cash receipt voucher approved?
- Is proper coding for cost center, account, activity, etc., entered on the voucher?
- Is there insurance coverage for cash held in office and cash in transit?
- Does the amount held in the safe conform to the cash limits in the cash insurance policy?
- Does the method of cash storage conform to insurance requirements?
- Does the policies and procedures manual outline security procedures for petty cash?
- Are these being followed? For example, is cash stored in a locked box, safe or steel drawers?
- What is the location of the safe or steel drawers?

- Are there restrictions on access to keys and areas where cash is held?
- Is there evidence of regular cash counts by a supervisor?
- Does the cashier count the cash daily and document such checks?
- Are all the receipts in the official receipts book recorded in the cashbook/ledger?
- Are all receipts banked promptly?
- Are all cash collections banked intact?
- Are there unusual items in the cashbook, such as unusually large receipts, transfers between bank accounts, or receipts from unusual sources?
- Is there a pre-defined minimum balance on hand for replenishing petty cash?
- Does the custodian prepare a replenishment statement? (The replenishment statement is a list of payments categorized by general ledger account.)
- Is there a designated Finance officer who reviews the replenishment statement for accuracy and validity of the supporting documentation?
- Is a check issued for the amount of the replenishment submitted? (It is recommended to issue the replenishment check in the name of the custodian.)
- Are the accounting entries to establish petty cash, replenish petty cash, or to close the petty cash account understood and followed?

Bank Reconciliations

Bank reconciliations should be prepared monthly for each bank account by a qualified employee who is independent of the cash processing functions. The reconciliations should be in a standard format and should be reviewed by an appropriate official. The reconciliation should be signed and dated by the preparer and the reviewer, who should ensure that:

- The bank and book balances agree to the bank statement and general ledger, respectively, as of the given ending date
- The book balance is fully reconciled to that per the bank
- All reconciling items are well-documented and promptly cleared

Control Objectives

- To ensure that bank reconciliations are performed at least monthly to reconcile bank records and the organization’s records

- To ensure that differences (reconciling items) between the organization's bank ledger account and the bank statement are identified and reconciled

Questions for Bank Reconciliations

- How many bank accounts does the organization hold?
- Are all bank accounts active?
- Is there a separate bank account for each project if required by the donor?
- Are bank reconciliations prepared monthly to verify that accounting records are correct?
- Are bank account reconciliation responsibilities vested in persons not involved in handling receipts or disbursements?
- Does a designated responsible official review reconciliations?
- Are bank reconciliations retained on file for review in the event of audit or other review?
- Are documents that support the reconciling items attached to the related bank reconciliation? Such documents include a list of outstanding checks, deposits in transit, and other relevant documents.
- Are proper reconciliation steps followed? (Bank reconciliation preparation should always start with the opening balance brought forward from the previous reconciliation and end at an adjusted balance that reconciles with the ending balance per the bank's statement.)
- Are reconciling items identified during the bank reconciliation process cleared by the subsequent month?
- Are outstanding checks written off after a set period, e.g., six months? (This period should not exceed the time after which local statute makes such checks invalid.)
- Does the Head of Finance investigate any reconciling items appearing two months in a row?

Budgeting

A budget is a detailed financial estimate of anticipated activities for a specified period of time. The following are several types of budgets:

- Annual operating budget – an estimate of an organization's total revenues and expenses for a fiscal year
- Cash budget – the cash an organization expects to receive and disburse
- Capital budget – the total costs to acquire fixed assets (capital additions)
- Project budget – the estimated cost of a specific project

- Grant budget – the estimated cost to conduct project activities funded by a grant

The process of preparing a meaningful and useful budget is best undertaken as an organized and structured group exercise. The budget process involves asking a number of questions including the following:

- What activities will be involved in achieving the planned objectives?
- What resources will be needed to perform these activities?
- What will these resources cost?
- What will be the sources of the funds?
- Are the anticipated results realistic?
- What approvals are required to accept budget variances?
- Do the various departments within the organization have budgets?

Once the budget has been agreed upon and the activity implemented, the process is completed by comparing the plan (budget) with the eventual outcome (actual). Types of budgets in use include the following:

- Operating
- Capital
- Grant budgets
- Budgeting cycle
- Budgeting instructions and management
- Budget formats

The organization should run budget comparison reports monthly to determine whether expenses are in line with the respective budgets. The organization should maintain amended budgets for its reviews. Since the original approved budget is often soon outdated, it is advisable to keep an amended budget during the year for more meaningful comparisons.

Cash Management

Control Objectives:

- To ensure that there is effective cash management
- To ensure that the organization has cash to meet its financial obligations

Cash management is an important function in any organization. In order to maximize its cash position, the organization should implement cash procedures for effective management of cash receipts and disbursements. Forecasting and budgeting are important aspects of cash management. The organization should try to plan, in as much detail and as far ahead as possible, what receipts can be expected and what disbursements will be required. Cash management functions revolve around receipts, disbursements, forecasting, and reconciliation.

Effective cash flow management is vital to organizations. It is a key element in planning and in efficient operational management. If cash inflows and outflows are not successfully planned and monitored, organizations may encounter cash shortfalls and may not be able to serve beneficiaries or pay employees and vendors in a timely manner. A cash flow forecast is often required by external parties to enable them to plan the timing of issuance of funding to the organization.

Questions for Cash Management

- Does the organization determine the cash position at the beginning of a given period from the organization's accounting records?
- Does the organization plan the timing of anticipated future cash receipts, approved sources of grant funding, and other projected sources of income?
- What are the main sources of cash inflows for the organization? (These may include contributions, donors' advances or reimbursements, collection of accounts receivable balances, and cash receipts from income-generating activities.)
- Are estimates of cash disbursements carried out, taking into consideration the organization's planned activities? Organizations that maintain their accounting on an accrual basis should keep in mind that payments to vendors may be needed to decrease previously recorded liabilities.
- Is the cash flow plan summarized in a spreadsheet showing forecasted cash balances by period?
- Are the forecasts provided to the executive director or other applicable official for use in projecting cash surpluses or needs?

Receivables Management

Amounts owed to the organization should be recorded as receivables. These are assets of the organization. They should be closely monitored to ensure timely collection or liquidation and should be accurately stated and appropriately classified.

Control Objectives

- To ensure that all receivable invoices are entered in the books
- To ensure that all efforts are made to claim outstanding receivables

- To ensure that no unauthorized write offs or credits are made
- To ensure that travel advances, short term advances, staff loans, and services such as use of telephone are invoiced

Questions for Receivables Management

- Are receivable ledgers accounts scrutinized for the following?
    - Balances in the organization's employee receivable account that are due from individuals who are not in the current employ of the organization
    - Non-moving balances
    - Unusual items or balances
- Are all significant debit balances on the trial balance reviewed for validity and value?
- Are invoices sent to debtors for each transaction?
- Are monthly statements sent to debtors?
- Are aging reports prepared every month?
- Are the aging reports reviewed by an appropriate officer?
- Are there efforts to investigate the recoverability of significant balances over three months old?
- Are any write-offs properly authorized?
- Are the write-offs or provisions correctly recorded and the journals properly supported and authorized?

Staff Debtors and Loans

The types of staff debtors are as follows:

- Staff advances
- Staff travel advances
- Other staff loans

Questions for Staff Debtors and Loans

- Are the staff debtors in line with organizational policies?
- Does the accounting system record receivables by each member separately or in subsidiary ledgers?
- Are policies and procedures, such as not exceeding ceiling limits or staff not approving their own advances, properly followed?
- Is information passed on to the payroll department to ensure that recovery of the outstanding debts is made as proposed and agreed?

- Are repayments made within the allotted time period?
- Is a statement of account detailing the outstanding balances prepared and circulated to each staff debtor?
- Are there procedures to handle any disputed balances and/or entries?

Questions for Staff Advances (Work Advances)

- Does each staff member have a separate ledger account in the accounting system for his/her work advance?
- Are policies and procedures, such as denying new advances until an old advance is settled, properly followed?
- Are the advances settled/liquidated according to the organization's policy on retirement of advances?
- Are advances settled/liquidated before new advances are issued? Are any deviations from this authorized, with a reason given in writing?
- Are reserves set up for those account balances that appear to be uncollectible? (A reserve is set up by recording a debit to a bad debts expense account and a credit to a receivables reserve account.)
- Is a senior official such as the executive director responsible for approving the establishment of the reserves?
- Are account balances that are uncollectible written off in accordance with the policy?

Fixed Asset Accounting

Fixed assets are the most visible and often the most significant assets owned by an organization. Documentation and reporting are necessary to ensure that the physical controls are effective.

The organization should use a standard form to document its fixed asset acquisitions and disposals. A pre-numbered two-part form is recommended. The form should contain two sections, a request section and a disposal section.

The fixed asset register/record should contain the following information:

- Name and description of the asset
- Cost including purchase price, taxes, duties, delivery costs and installation costs
- Accounting transaction reference number
- A cash disbursement voucher or check number (for purchased assets)
- A general journal voucher number (for donated assets)
- Acquisition date (month and year)

- Location
- Condition
- Asset number (should be assigned by the administration department)
- Manufacturer's serial or model number
- Owner (indicate who has title to the equipment)
- Estimated useful life
- Monthly depreciation expense
- Funding source, if asset acquisitions have been funded by multiple donors

Control Objectives

- To ensure that all tangible fixed assets exist, are owned by the organization, and are in use
- To ensure that fixed assets are correctly recorded in the books, adequately secured, and properly maintained
- To ensure that acquisitions and disposals are properly authorized
- To ensure where applicable that the assets are properly depreciated and depreciation is properly accounted for

Questions for Fixed Asset Accounting

- When assets are purchased, are proper accounting entries made? (The accounting entry should include a debit to the fixed asset account and a credit to cash/bank.)
- If the asset was received as an in-kind contribution from a private donor or as an unencumbered in-kind award from a grant donor, was the accounting entry properly recorded as a debit to the fixed asset account and a credit to contributions revenue?
- If the asset was received from a grant donor that requires its approval for disposition of the asset at the conclusion of the grant award, was the accounting entry properly recorded as a debit to the fixed asset account and a credit to the grant liability account? (The liability account will be reduced as the organization recognizes revenue for the depreciation expense recorded against the grant.)
- Does the organization conduct physical counts of its fixed assets on a predefined frequency during the course of the year? (It is highly recommended that the counts occur at least quarterly.)
- Are fixed asset counts supervised and conducted by employees who are independent of the fixed assets custodial and record keeping functions?

- Does Finance reconcile the fixed asset counts to the general ledger balances and prepare general journal vouchers for unreconciled differences?

Depreciation

Since Fixed Assets benefit the organization over a number of years, their cost should be expensed over the periods that benefit from use of the asset. Depreciation expense is the distribution of the cost of a fixed asset over its estimated useful life.

Generally accepted accounting principles (GAAP) require that long-term assets be recorded as fixed assets and depreciated over their estimated useful lives. For fixed assets purchased with grant funds or received from a grant donor that retains ownership of the asset, additional accounting entries will be needed to comply with GAAP while accommodating the grant donor's reporting requirements. Organizations should seek guidance from their external auditors for the additional accounting entries needed.

The organization should designate an estimated useful life for each type of fixed asset it acquires and should use that estimated life to depreciate all assets in that category. The organization should refer to the local professional accounting standards or practices to make the determination. Suggested asset lives are the following:

- Computer equipment – three to five years
- Furniture and equipment other than computers – 10 years
- Vehicles – three to five years
- Buildings – 40 years
- Leasehold improvements – If the related facility lease has an automatic renewal option, then the recommended asset life is 40 years. Otherwise, the improvements should be depreciated over the remainder of the lease term.

Questions for Depreciation

- Does the organization have a depreciation policy?
- Are assets properly classified and deprecation rates determined?
- Are depreciation rates changed from time to time?
- Are the depreciation rates followed from one accounting period to another?
- Are depreciable assets depreciated consistently every month?

Accounting for Prepaid Expenses and Security Deposits

In the normal course of business, most organizations make payments that benefit future periods. Common examples of prepayments are those made in advance for office leases, insurance premiums, and computer maintenance contracts. The portion of the payment that benefits future periods should be recorded as a prepaid expense. To aid in tracking prepaid expense balances, the Finance department should maintain a detailed analysis of the open prepaid items.

The organization's Head of Finance should make the determination based on materiality and types of expenditures as to which disbursements should be set up as prepayments. Prepayments below the minimum threshold established by the Head of Finance should be expensed when paid. The Head of Finance should document the decisions and the accountant should retain copies of the documented decisions on file.

The organization may set up a separate general ledger prepaid expense account for each type of prepayment or it may decide to keep all prepayments in a single account. If multiple types of prepayments are kept in a single general ledger prepaid expense account, care should be exercised to ensure that each prepayment is properly amortized.

Security deposits such as those required by utilities and phone companies are not prepaid expenses and should be recorded in a separate asset account, if significant to the organization. If security deposits are minor in amount, consideration may be given to expensing them when paid.

Questions for Accounting for Prepaid Expenses and Security Deposits

- Does the organization keep details of the prepayments including the following information?
    - Description of the prepayment
    - Vendor
    - Transaction reference number
    - Transaction date
    - Periods that will benefit from the prepayment (the term over which the prepayment is to be expensed, usually expressed in months)
    - Total amount of the prepayment
    - Amount that will be expensed (amortized) each month
    - Monthly beginning balance
    - Additions (cash disbursements)
    - Reductions (general journal entries for monthly amortizations, insurance premium refunds)
    - Monthly ending balance

- Are the detailed records reviewed monthly by the Head of Finance to ensure that they are sufficiently detailed and agree with the general ledger balance?
- Are prepaid assets charged to expense in the period(s) in which the organization derives benefit from the original expenditures? (The process by which the prepaid expense balances are charged off to expense is known as amortization.)
- Is there a designated employee in the Finance department responsible for preparing the monthly amortization entry?
- Does the designated employee refer to the detailed accounting record(s) for the amount to be amortized for each account and/or type of prepayment every month?
- Is a copy of the detailed spreadsheet/record attached to each month's amortization entry?
- Are the prepaid expenses amortized evenly over the benefiting periods? (For example, if an organization is required by contract to pay the next year's rent in advance, payment should be recorded on a cash disbursement voucher as a debit to prepaid expenses and a credit to the cash-in-bank account. Each month during the lease term, the Finance department should record a debit to expense and a credit to the prepaid expense account on a general journal voucher for one-twelfth of the prepaid rent. By the end of the lease term, the rent prepayment should be fully amortized.)
- Are the detailed records of security deposits reviewed monthly by the Head of Finance to ensure that they are sufficiently detailed and agree to the general ledger balance?

Accounts Payable

Accounts Payable is the process, performed by the organization's Finance Department, by which amounts owed by the organization are set up as liabilities for subsequent payment. Documentation standards and approval disciplines must be in place and firmly enforced to ensure that all necessary approvals are obtained before commitments are incurred and payments are made.

Control Objectives

- To ensure that goods/services are only ordered in the quantities or quality needed and at the best terms available. There should be appropriate requisition, approvals and authorizations
- To ensure that goods and services received are inspected and only acceptable items are accepted

- To ensure that invoices are checked against authorized orders and goods received notes
- To ensure that all goods and services are properly recorded in the books

Questions for Accounts Payable

- Are all creditors reviewed every month?
- Is an invoice register maintained to log and track invoices?
- Are invoices approved before they are entered in the ledger?
- Are supplier statements reconciled to the supplier ledger balance regularly?
- Is the subsidiary ledger for the creditors control account, if applicable, reconciled every month with the suppliers?
- How is it ensured that credit terms are used in full?
- How is the creditors list reviewed to ensure payments are not overdue?

Accounting for Accrued Liabilities

The types of information that should appear in the account analysis for each type of accrual are the following:

- Description of the accrual
- Party to whom the liability is owed
- Basis for the accrual (how it is calculated)
- Accrual balance at the beginning of the month
- Addition(s) to each accrual (indicate amount, transaction number, and transaction date) during the month
- Reductions in each accrual (indicate amount, transaction number, and transaction date) during the month
- Accrual balance at the end of the month

Control Objectives

- To ensure that the policy on accrued liabilities is adhered to
- To ensure that all accruals are recorded correctly

Questions for Accounting for Accrued Liabilities

- Are all accruals reviewed every month?
- Are accruals supported by individual account analyses?
- Are accrual entries approved before they are entered into the ledger?
- Is each accrual balance supported by the appropriate documentation?
- Is each accrual reviewed monthly to determine if the accrual is needed

and the amount accrued represents the most recent assessment of the amount due?

- Is there an effective system to ensure that liabilities are cleared in a timely fashion?

Revenue/Funding

The accounting treatment for the funding received will vary depending upon whether or not the donor has placed any special conditions on the funding it has provided to the organization. There may be a restriction on the use of the funds or the time in which the funds are to be expended, or the donor may impose reporting or other requirements. It is recommended that an organization maintain separate accounts for the different types of funding it expects to receive or for any revenue it expects to generate. This will make the process of analysis and reporting easier to manage.

Organizations typically are required to perform the following actions to apply for and receive grants:

- Sign an agreement and agree to its specified terms
- Submit an itemized budget for approval by the donor
- Return unspent funds to the donor
- Submit formal financial reporting to the donor
- Comply with applicable donor regulations or requirements in administering the award

Grant revenue should be recorded in each month in which the organization incurs reasonable, allowable, and allocable expenses against the award. The steps that are typically followed are as follows:

- Grant funding received in advance should be recorded as a liability to the donor when received
  - Debit cash
  - Credit grants payable
- When reasonable, allowable expense is incurred
  - Debit expense
  - Credit cash
- At least monthly, when expenses are incurred against the award, grant revenue should be recognized and the liability should be reduced
  - Debit grants payable
  - Credit grant revenue

Control Objectives

- To ensure that revenue is properly stated and recorded in the proper accounting period
- To ensure that revenue is correctly classified (Unrestricted, Restricted, Grant, Contract)

Questions for Revenue/Funding

- Are grant revenues and any corresponding grant receivables (if the organization operates on a reimbursement basis) or grant liabilities (if the organization receives its grant funding in advance) reviewed each month to ensure that they are correctly stated?
- Is a review performed each month to determine whether or not revenue booked during the month has been correctly classified?

Payroll Processing (Wages and Salaries)

Payroll consists of all processing of employee salaries, wages, bonuses, cash benefits, and deductions. The payroll function also includes the processing of all timesheets/effort reporting documents. An employer must retain all records pertaining to payroll. Such records include salary and wage histories and all salary and wage deductions for the periods of time stipulated by statute and standard business practices.

The payroll function must be independent of the human resources function. Due to the sensitive and confidential nature of payroll, it must be administered with due care and diligence.

Control Objectives

- To ensure that wages and salaries are paid only to actual employees at authorized rates of pay
- To ensure payrolls are calculated correctly
- To ensure that payroll deductions are correctly accounted for and paid over to the appropriate third parties
- To ensure that the payrolls are charged to correct donor project numbers and budget lines in a timely manner (before expiry of projects)

Questions for Payroll Processing (Wages and Salaries)

- Are there procedures to ensure new and terminated staff are respectively included and removed from the payroll in a timely fashion?
- Are there procedures to ensure that changes to the employee payroll details are properly recorded?
- It there payroll software?

- Do employees keep timesheets?
- Are there procedures for timesheet approvals?
- Are timesheets used for payroll preparation?
- Are there written policies and procedures for overtime?
- Does a responsible officer approve the payroll before the wages/salaries are paid?
- Are wages/salaries paid by check or bank transfer?
- Are the people involved in making the payments different from those who prepare payroll?
- Is a payroll journal prepared to enter wages/salary charges to the projects?
- Is the payroll journal approved by the Head of Finance?
- Are salary deductions remitted to third parties on time?
- Are there ledger accounts for the payroll deductions, and are they cleared every month?
- Are outstanding balances on payroll deductions accounts, such as National Social Security Fund (NSSF) and Pay As You Earn (PAYE), and health insurance investigated?

Cost Allocation

Shared costs are expenses incurred for a common purpose but which cannot be assigned directly to any particular project, donor, department, product, or segment of the business. Cost allocation is the process of distributing shared costs to the appropriate projects. Assigning expenses to projects in a consistent fashion provides management with the total cost of each project being implemented. For this information to be useful, management needs to have costs charged to projects using a methodology that is consistent and rational.

The objective of cost allocation is to charge expenses to projects based on the benefit that each project receives from the expense incurred. Using a documented systematic method to allocate shared costs ensures that each donor covers its “fair share” of allocable expenses.

The following steps are essential in implementing a cost allocation methodology:

1. Define cost drivers.
2. Determine which costs the organization considers to be common costs that should be allocated using a cost allocation methodology.
3. Set up an auditable system to determine shared costs and how to account for them.

CARL D. WALSH FOR CRS

Wooden bicycles can frequently be seen around the Democratic Republic of the Congo and other East and central African countries. Most have no brakes and riding them can be exhilarating.

4. Develop a written policy that incorporates the allocation concepts.
5. Use the allocation methods described in the policy consistently throughout the year.
6. Base the cost allocation formulas on current actual data.

Allocation of Vehicle Expenses

The most logical cost driver for vehicle expenses is the distance driven to administer each project or non-support department in a given period. Using this methodology, vehicle logs must be maintained to capture distances driven for each project/non-support department.

Allocation of Support Costs

Several cost drivers could be used such as direct expenses. It is the responsibility of the organization to choose the most appropriate driver for its programming portfolio and to use it consistently. The allocation method should demonstrate a fair and reasonable calculation.

Allocating Occupancy Expenses

The most logical cost driver for allocating occupancy expenses (e.g., office rent, electricity, water, etc.) is the office space occupied by the staff assigned to each project. Using this methodology, the organization must measure the total office space and calculate the square meters of common costs.

Questions for Cost Allocation

- Are the costs that the organization considers to be common costs defined? Some examples of common costs that often benefit multiple projects are utility bills, office supplies, office rent, and administrative staff salaries.
- Has the organization set up an auditable system to determine shared costs and how to account for them?
- Is there a written policy that incorporates the allocation concepts?
- Is the adopted cost allocation method applied consistently throughout the year?
- Are cost allocation formulas based on current actual data rather than budgets?
- Are cost allocation formulas updated monthly to ensure that charges allocated to each project accurately reflect what happened during the month?
- Is a cost pooling method used to allocate the shared cost at the end of an accounting period? Under the pooling method, all applicable expenses are charged to one or more cost centers at the time they are

initially processed. (Some partners may be so small that their preference is not to pool costs but to direct charge them when each transaction is recorded.)

- What other method is in use?
- If the organization uses cost pools to capture its allocable expenses, are those pools allocated out in full at the end of each month so that each pool's expense total nets to zero?

Grant Accounting

Grant accounting entails reviewing and complying with the terms and conditions stipulated in a grant agreement and recording the revenue and expenses in an organization's general ledger. Grants, also referred to as awards (including subawards) or cooperative agreements are arrangements whereby the organization has a contractual funding relationship in which a donor provides financial support in return for the delivery of specified program service by the organization or its subgrantees.

Many grant-funded projects include the following phases:

- Pre-award requirements
- Post-award requirements
- Financial and program requirements
- Property standards
- Procurement standards
- Reports and records
- Termination and enforcements

Questions for Grant Accounting

- Is the there a grant tracking system?
- Are there project files with information on the project, including the following?
    - Donor agreement
    - Communication with the donor
    - Points of focus in the donor agreement
    - Budget management
- Is there a system of tracking expenses and income by project?
- Are there controls to ensure that funds are used for their intended purposes?
- Does the organization have and regularly use a grant closure checklist?

Financial Reports

Organizations have internal and external reporting requirements. The Head of Finance should ensure that the organization's management team is provided with financial reports regularly during the course of the year. Internal financial reports should contain sufficient relevant information that is presented in formats that will enable the management team to make informed business decisions. External reporting may be required by donor agreements, donor regulation, professional accounting standards or government statute. All financial reports should be accurate, timely and verifiable.

Control Objectives

- To determine whether the types of internal financial reports provided to management are appropriate, comprehensive and value-added
- To ascertain whether all external reporting requirements are met per donor agreements and government regulations
- To verify that the internal and external financial reports prepared by the organization are accurate, verifiable, timely, and submitted within the established deadlines

Questions for Financial Reports

- What management reports are required to be produced every month, quarter, and semiannually?
- Are the reports meeting the following requirements?
  - Reporting formats
  - Distributed as required
  - Reporting deadlines
  - All donor requirements
- Are the month-end financial closing and reporting deadlines being consistently met? If not, obtain explanations.
- Are reports distributed and received as expected?
- Does the Head of Finance meet with the CEO each month to discuss the financial reports?
- Does the Head of Finance present the monthly finance reports to senior management each month? What action is taken when budget lines have been overspent?
- Is the reporting cycle defined?
- Are budgets appropriately detailed by line item and are all reporting currencies for grant funded projects clearly indicated?

- Who reviews and responds to donor feedback on liquidation reports submitted to the donor?
- Who reviews and provides feedback on liquidation reports received from subrecipients?

Financial Transaction Documentation

All financial transactions should be recorded on standard accounting forms known as journal entries or vouchers and should be supported by the appropriate documentation. The vouchers should be sequentially numbered, properly approved, and systematically filed to allow for easy retrieval.

Control Objectives

- To ensure that all financial transactions are properly documented, approved, and supported
- To verify that all journal entries and their supporting documents, once filed, are stored securely and can be retrieved quickly

Questions for Financial Transaction Documentation

- Are all journal entries signed by the respective employees who prepared, verified, entered, approved and posted them?
- Are the journal narratives adequate?
- Are the back-up documents adequate and appropriate?
- Are journal vouchers numbered, with the same number maintained in the accounting system?
- Are all cash disbursement journal entries and general journal entries and their supporting documents canceled to prevent their reuse?
- Have all entries selected for testing and their supporting documents been easily located?
- Are entries and their supporting documents safely secured at all times?
- Are entries and their supporting documents retained on file for the appropriate amount of time?
- When it is not practicable to attach the supporting documents to entries for confidentiality reasons or due to their size, are the storage locations for the supporting documents indicated on the journal entries?
- Are cross-references made on correcting entries, adjustments, or reclassifications to the original entries and vice versa?
- Are individuals required to sign documents attesting to their receipt and issuance of cash?

Expenditure Review

The general criteria affecting allowability of costs under awards are the following:

- Costs must be reasonable and necessary for the performance and administration of awards.
- Costs charged to U.S. government grants must be allocable to the awards under the provisions of the White House Office of Management and Budget (OMB) cost principle circulars. A cost is allocable to a particular cost objective if the goods or services involved are charged or assigned to such cost objective in accordance with relative benefits received.
- Costs must be given consistent treatment through application of those generally accepted accounting principles appropriate to the circumstances. A cost may not be assigned to an award as a direct cost if any other cost incurred for the same purpose in like circumstances was allocated to the award as an indirect cost.
- Costs must conform to any limitations or exclusions set forth in the circulars; national, state, or local laws; sponsored agreements; or other governing regulations as to types or amounts of cost items.
- Costs must be net of all applicable credits that result from transactions that reduce or offset direct or indirect costs. Examples of such transactions include purchase discounts, rebates or allowances, recoveries, indemnities on losses, insurance refunds or rebates, and adjustments for overpayments or erroneous charges.

Questions for Expenditure Review

- Are donor rules for the applicable awards on file?
- Have all pertinent staff been adequately trained on understanding and complying with those rules?
- Are costs allowable as per donor requirements?
- Have all projected expenditures been considered in the organization’s approved budget or approved amendments thereto?
- Do costs conform to the organizational policies and procedures?
- Are the dates of expenditure within the grant period?
- Is there full documentation of such expenditures?

GLOSSARY

Account Balance

The cumulative amount in a general ledger account, equal to the net of its cumulative debits and credits. Account balances for revenues and expenses are closed out at year-end and are not carried over to the next fiscal year. Account balances for assets, liabilities, and net assets (fund balances) are cumulative from their inception.

Account Code or Number

Account codes identify the nature of the items affected by financial transactions. General ledger accounts are usually grouped into the following major categories: assets, liabilities, net assets (formerly known as fund balances), revenues, and expenses.

Accounting Entry

A double-sided entry in which the debits must equal the credits. See also *Voucher*.

Accounting Policies

The principles, bases, conventions, rules, and practices applied by an entity in recording financial transactions and in preparing and presenting financial statements.

Accrual Basis

The accounting discipline whereby revenues are recorded in the accounting periods in which they are earned and liabilities or expenses are recorded in the periods in which they are incurred (or in which they provide benefit).

Accrued Liability

A liability recorded for expenses incurred, but not paid as of the end of a given period. Frequently involves an estimate of the liability owed.

Accumulated Depreciation

The cumulative amount of depreciation recorded by an organization against a given asset. This account is netted against the corresponding asset account for financial statement presentation purposes. Accumulated depreciation should remain on the organization's books until the corresponding asset's disposal or write-off takes place.

Advance

Funds issued to another party with a requirement that the party that received the funds must account for them in the future. An advance is cleared by providing a good, rendering a service, submitting an approved report, and/or returning cash, depending on the nature of the transaction.

Amortization

The gradual reduction of a prepaid expense by apportioning its cost over the accounting periods (months) that benefit from the original expenditure.

Annotated Chart of Accounts

A list of general ledger accounts showing the account numbers, names, and descriptions (intended purpose) of each account.

Authorization

The process of approval over financial transactions, normally the decision to commit or expend the organization's resources.

Authorization Matrix

An organization's list of approval authorities. Usually shown in the form of a grid that lists the various positions in the organization and the levels of their respective authority. Can also indicate the types of commitments, expenditures, or documents that the designated employees are authorized to approve. Also known as the *Authorization Chart*.

Balance Sheet

See *Statement of Financial Position.*

Bank Reconciliation

The process through which the organization's cash balance per its general ledger is reconciled to the ending balance per the bank statement as of the same date and all differences between the two are accounted for. An employee who is independent of the cash custodial and recordkeeping functions should perform this task. It serves as a check on the completeness and accuracy of the organization's recorded cash balance and cash transactions.

Bank Statement

A report issued by a bank that shows the beginning and ending balances and all activity in an account holder's bank account for the statement period. Bank statements are sent to account holders on a regular basis, usually monthly.

Capital Addition

Acquisition of a fixed asset.

Cash

Within the context of this guide, this refers to cash currency, cash-in-bank, or a combination of the two.

Cash Flow

The difference between cash received and cash spent in a given period.

Cash Flow Statement

This report shows the cumulative totals for the sources and uses of funds for the period reported. Also known as the *Statement of Cash Flows*.

Cash Flow Forecast

An estimate of anticipated cash receipts and payments in future periods, which may be months, fiscal quarters, or fiscal years, depending on the nature of the forecast undertaken. This task requires that the organization assess how much will be received and disbursed in each of the designated periods. Input should be solicited from all key members of the management team during this effort to ensure that all funding sources and organizational expenditures are factored into the projections.

Chart of Accounts

The list of general ledger accounts used for recording financial transactions. The list is shown in account number sequence and shows account numbers and account names.

Check (or Bank) Signatories

Those employees who are authorized to sign checks on behalf of the organization.

Cost

The purchase price of a good or service. It includes all expenditures made to place an acquired good into service. Also used to mean the value of donated goods.

Cost Center

A structural element of an organization used to capture costs for monitoring and reporting purposes. Also known as a business unit, it may be used to designate a specific project, grant, location, or department.

Cost Allocation

The process of distributing shared expenses to the applicable benefiting cost centers.

Credit

The right side of an accounting entry. Credits increase revenues and liabilities and reduce expenses and assets.

Creditor

Any party to whom the organization owes money.

Debit

The left side of an accounting entry. Debits increase assets and expenses and reduce revenues and liabilities.

Debtor

Any party who owes money to the organization.

Depreciation

The distribution of the cost of a tangible long-term asset over its estimated useful life. Long-term assets are those that are expected to provide benefit to the organization for more than one year. Depreciation is recorded monthly.

Double-Entry Bookkeeping Method (or Double-Sided Entry)

The fundamental accounting discipline that requires each accounting entry to balance, i.e., the debits must equal the credits.

Expenditure

Broadly means a disbursement of cash. It should not be confused with the term *Expense*.

Expenses

Expenses are an organization's operating costs. These are recorded in the periods (accounting months) in which they are incurred. An expense is considered to be incurred in the month during which the services rendered or goods purchased were received, not when the purchase order was placed or other commitment was made. An accrual should be made for each expense that has been incurred, but not paid as of the end of the reporting period. Preferably this should be done monthly. At the very least it should be done at the end of the organization's fiscal year. Expenses are considered to be period costs because they have no future value to the organization.

Fair Share

The concept of charging expenses to projects based on the benefit that each project receives or derives from the activity for which the expense is incurred.

Financial Statements

Financial reports prepared by an organization for reporting to management, the board of directors, and outside parties. On an interim basis, such as monthly or quarterly, these reports may be audited internally. The organization's year-end financial reports should be subjected to external audit, however. Common types of financial statements are the statement of financial position, the statement of activities, and the statement of cash flows.

Fiscal Year

The twelve-month period used by the organization to conduct its activities and report its financial results. The fiscal year does not necessarily correspond to a calendar year.

Fixed Assets

The organization's tangible, long-term property, plant, and equipment that have estimated useful lives of more than one year.

Fund Balance

See *Net Assets*.

Imprest Basis

An accounting concept used to describe a cash fund that is replenished for exactly the amount expended. Once established, the general ledger balance for an imprest fund does not change except by management decision.

Income Statement

See *Statement of Activities*.

Journal

A chronological or sequential record of a certain type of financial transaction. Some commonly used journals are the cash receipts journal, the cash disbursements journal, the general journal, and the sales journal.

Journal Entry

See *Voucher*.

Ledger

Normally means an accounting "book" in which financial transactions are recorded and cumulative balances are computed. A ledger may be a general ledger in which all financial transactions of the organization are recorded (if computerized) or summarized (if manual) or a subsidiary ledger. Entries into the general ledger must always balance, i.e., the debits must equal the credits. A subsidiary ledger is usually limited to a specific type of transaction or one or more specific types of general ledger accounts. It is not used for double-sided (balancing) entries. Some common types of subsidiary ledgers are petty cash ledgers, cashbooks, accounts receivable ledgers, accounts payable ledgers, and fixed assets registers. A warehouse ledger is normally used to record the balances and movement of inventoried assets. It may be used as a quantitative record to compute the number of units of inventoried goods on hand and also as a record of their values.

Liability

An amount owed by the organization to other parties. Types of liabilities include, but are not limited to, those to grant donors (for funds received in excess of grant expenses), employees, suppliers, government entities, and lenders.

Net Assets

The general ledger accounts that represent the difference between an organization's assets and its liabilities. Also the cumulative difference between an organization's revenues and its expenses since its inception. (Formerly known as *Fund Balance*.)

Petty Cash

A small supply of cash used to meet daily operating needs for which disbursement checks are not appropriate or their use is not efficient or cost-effective. Usually maintained on an imprest basis.

Post

To record a financial transaction in a ledger.

Prepaid Expenses

The asset account charged for those payments of operating expenses that will benefit future periods. See also *Amortization*.

Procurement

The process through which goods or services are purchased.

Projection

Quantitative estimate of future financial or operating performance or results.

Recordkeeping (Bookkeeping)

The act of recording various financial transactions in a ledger.

Revenues

The sum of the amounts received by an organization from outside sources. The term includes sales, contributions, grants from various donors, subscriptions, membership dues, fees for services rendered, rentals, and interest received from bank deposits and investments. Contributions are recorded in the periods they are received. All other types of income are recognized as income in the periods in which they are earned.

Statement of Activities (Income Statement)

This financial report shows the cumulative revenues and expenses for the organization for a given period. The revenues and expenses are itemized by major categories. Expenses are typically broken down into program and support costs. Cumulative totals for a comparable period in the previous fiscal year are usually included in this statement for comparative purposes.

Statement of Financial Position (Balance Sheet)

Shows the financial position of the organization at a given point in time. Ending balances for the major groupings of the organization's assets, liabilities, and net assets (fund balances) are displayed in this report. Ending balances for a comparable period in the previous fiscal year are often included in this statement for comparative purposes.

Support Costs

Costs that support all of the organization's programs and projects and that are not specifically identifiable with one or more programs or projects.

Supporting Documentation

Documents that support a financial transaction. The types of documents needed vary depending upon the nature of the transaction. The organization's policies and procedures should spell out the documents that are required as support for each type of transaction.

Travel Expense Report (Travel Expense Voucher)

The organization's standard form used by its employees to report the expenses incurred during authorized business trips or activities. The form is used to account for either amounts previously advanced to the employee or the amount to be reimbursed to the employee.

Unrestricted Funds

Funds received from donors who have imposed no time or use constraints.

Verification

Within the context of this guide, an independent check of the completeness and accuracy of one or more documents, records, reports, balances, physical counts, or other actions by a designated employee.

Voucher

Within the context of this guide, an accounting entry made to record a financial transaction. The term has also been used to mean the prescribed accounting form used to record a transaction and all of the supporting documents attached thereto. The term is used interchangeably with *Accounting Entry* or *Journal Entry*.

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CATHOLIC RELIEF SERVICES

Chapter 7:

Supply Chain Management

CRS
CATHOLIC RELIEF SERVICES

GUIDE

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.

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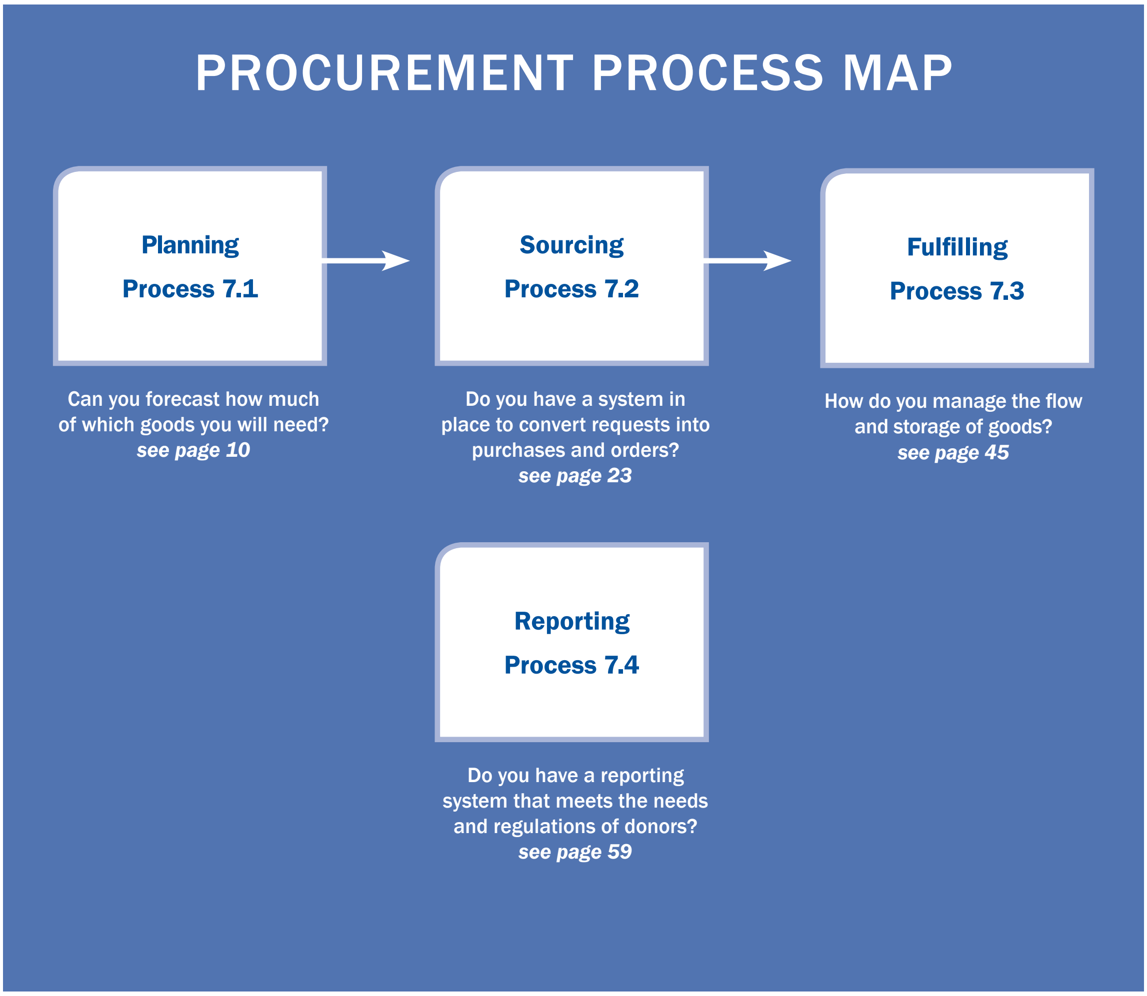
CHAPTER 7: SUPPLY CHAIN MANAGEMENT

KARL GROBL 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?

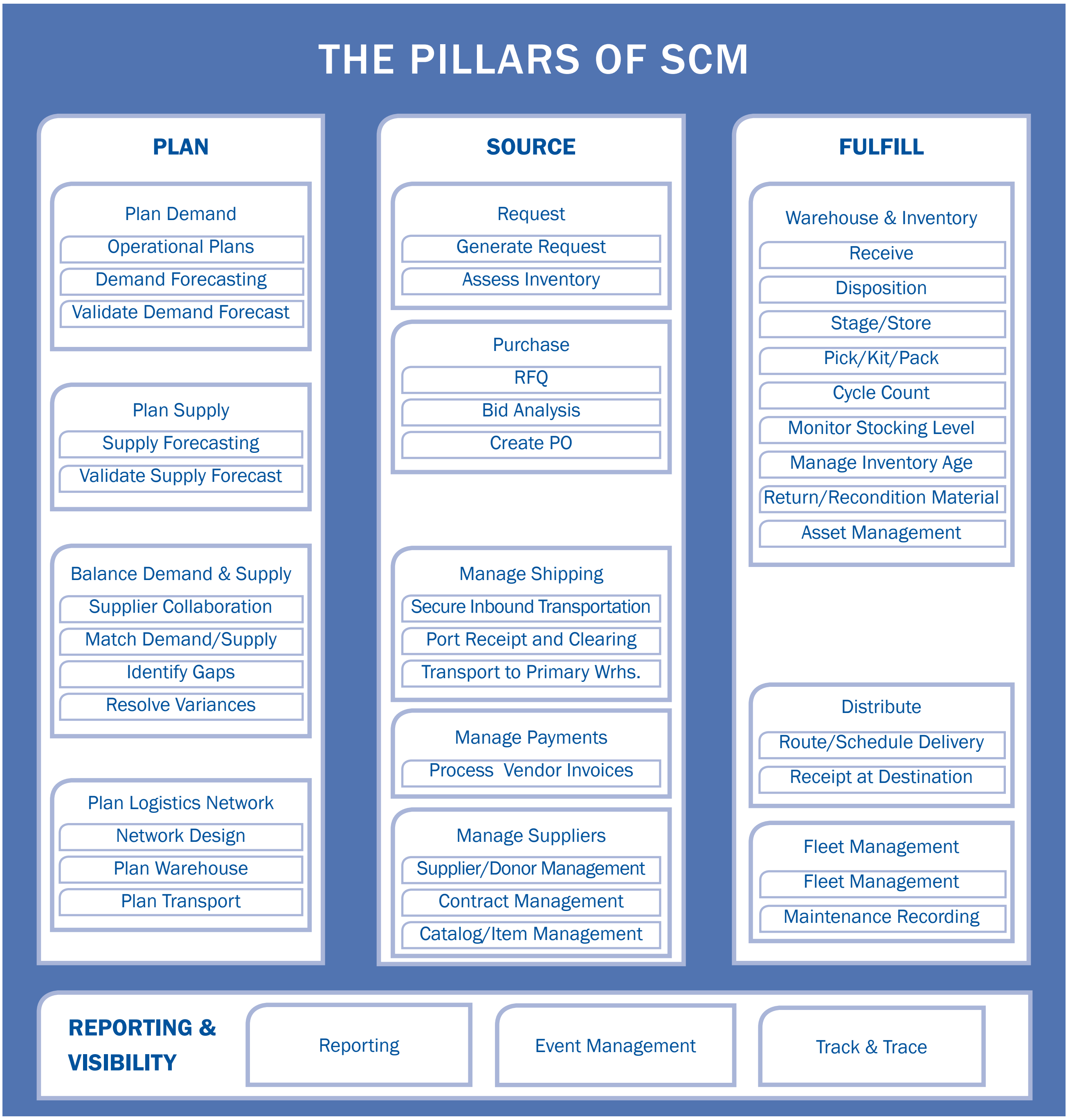
Every organization needs to procure, store, and distribute goods, materials (products), and services to support its activities. In addition, organizations must manage and monitor the products as they move into and out of the store or warehouse.

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 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 HOCAI 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.

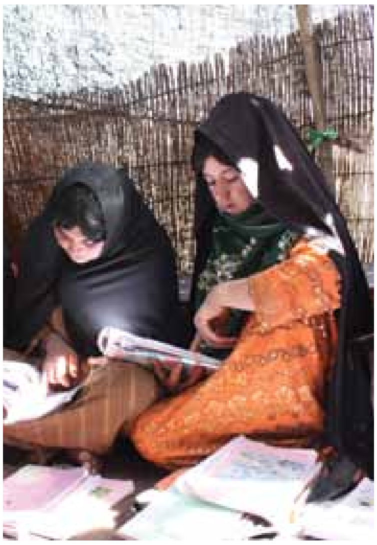
c. Segregation of Duties

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.



LAURA SHEAHEN/CRS

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.

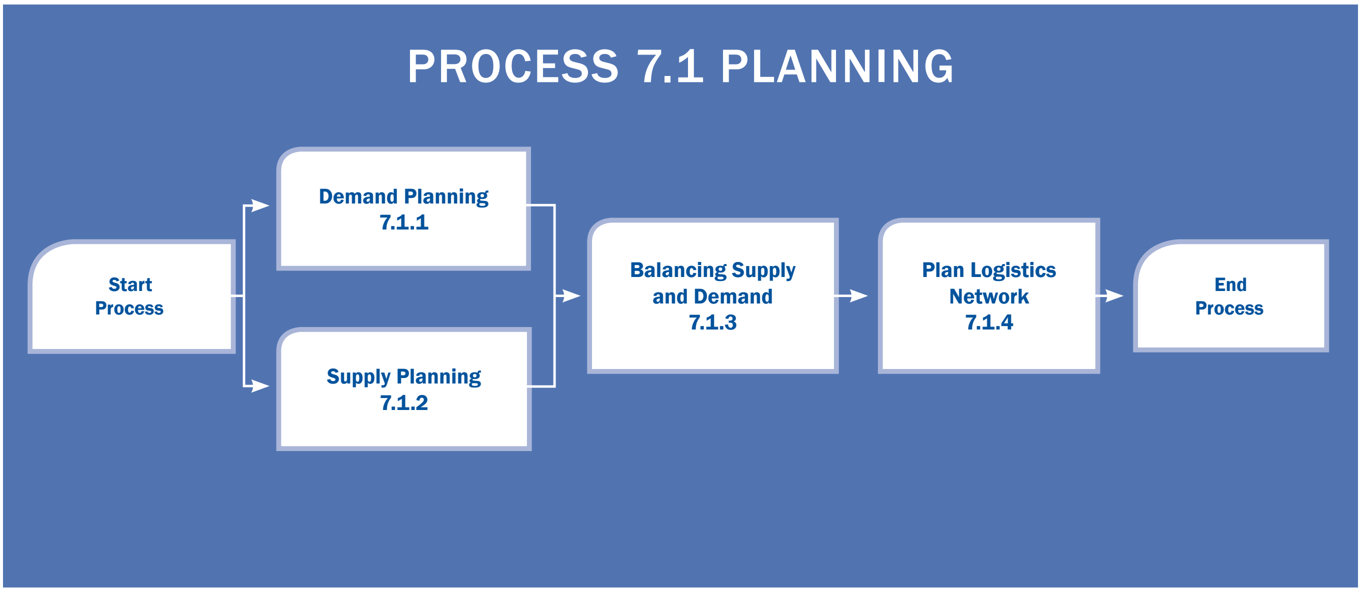
PROCUREMENT BUSINESS PROCESS 7.1 – PLANNING

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.

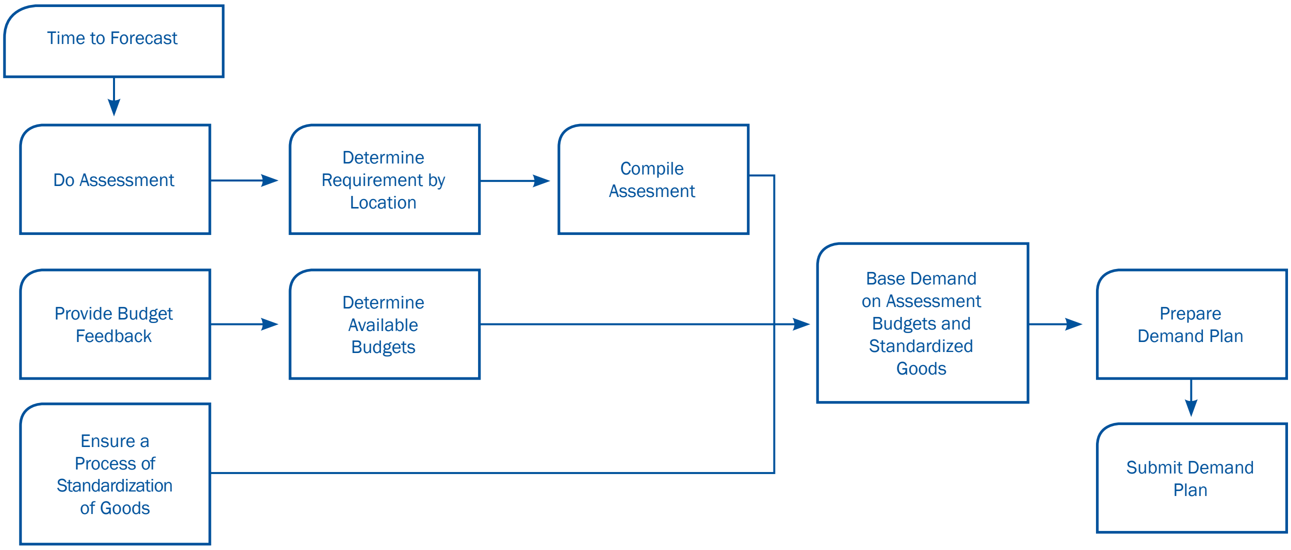
PROCESS FLOW



STEP 7.1.1 – DEMAND PLANNING

STEP NAME	DEMAND PLANNING
Step Number	7.1.1
Inputs	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	1. Forecasts of required goods, materials, and services
Organizational Roles	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	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.

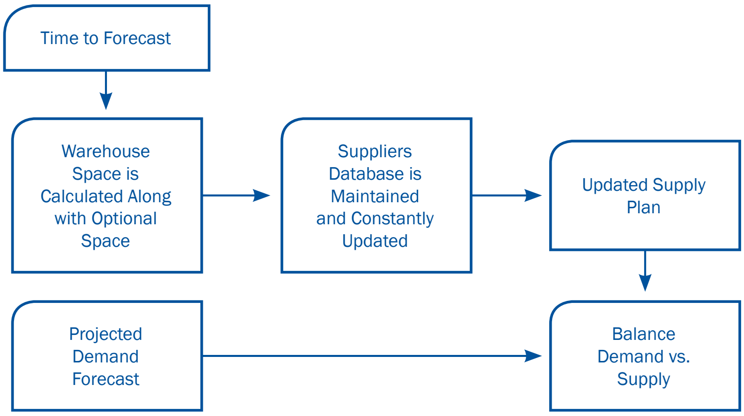
3. Best Practices

- 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	1. New donor/grant information 2. Demand forecast 3. Supplier master database 4. Market information/suppliers database
Outputs	1. Supply forecast 2. Order schedule 3. Gap report 4. Inventory plan 5. Contingency plan
Organizational Roles	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, availibility of material, etc. 4. Donors provide information on possible resources
Integration Points	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

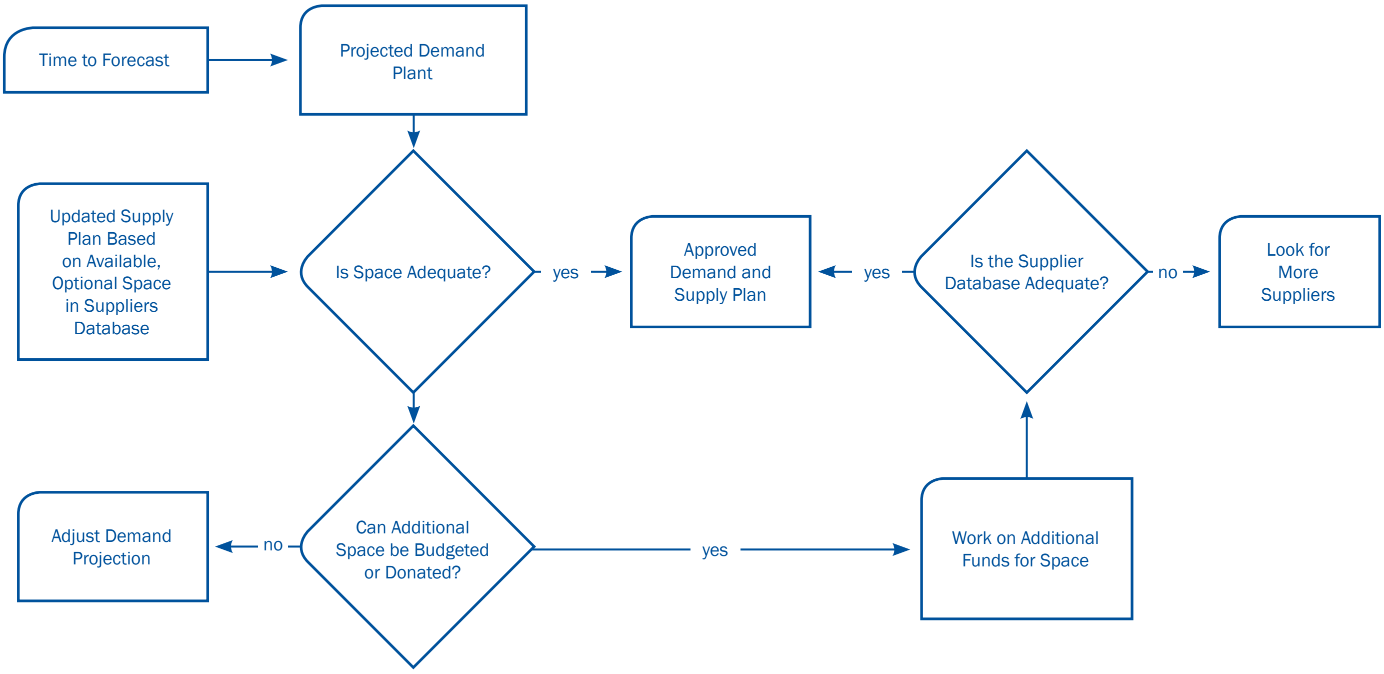
- A vendor list or database utilizing spreadsheets or other technology is developed and maintained.
- A formal structured process for collecting and analyzing market and vendor intelligence from multiple sources is developed.
- Assign separate responsibility for the maintenance of market intelligence 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	1. Demand plan 2. Draft supply forecast 3. Budget and fundraising information 4. Supplier information
Outputs	1. Procurement supply and consumption pipeline 2. Supply gap report and reconciliation
Organizational Roles	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	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	1. Pipeline 2. Order schedule 3. Inventory plan 4. Contingency plan 5. Historical transactions (shipping) 6. Maintenance records of the warehouse space
Outputs	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	1. Budget/program manager provides input 2. Logistics manager leads the process 3. Fleet manager provides input to logistics manager
Integration Points	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.

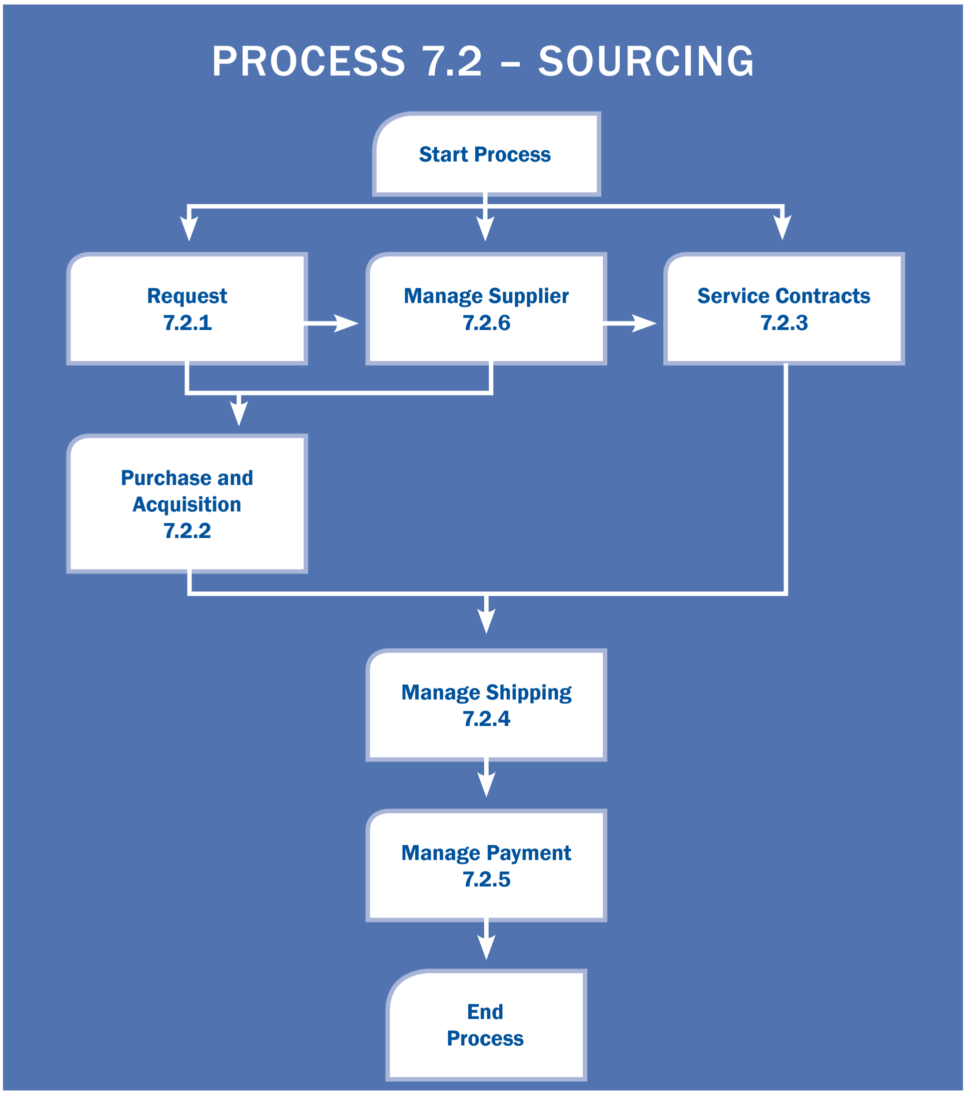
PROCUREMENT BUSINESS PROCESS 7.2 – SOURCING

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

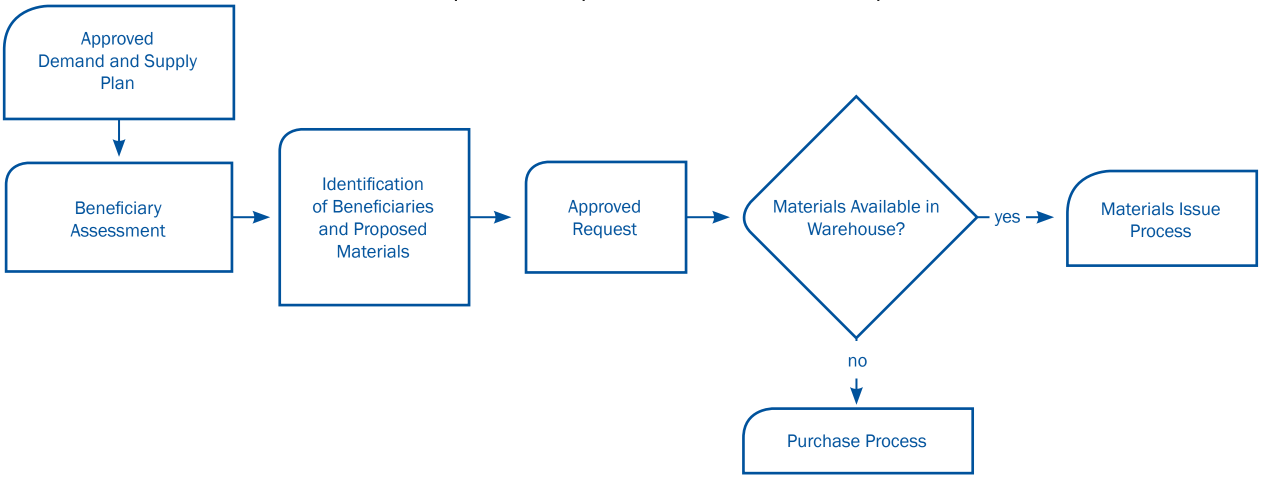


STEP 7.2.1 – REQUEST

STEP NAME	REQUEST
Step Number	7.2.1
Inputs	1. Product specifications including quantity and quality descriptions 2. Destination for the products required and their intended uses
Outputs	1. Approved requisition form
Organizational Roles	1. Requestor 2. Budget owner/head of unit 3. Procurement officer 4. Finance officer
Integration Points	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 if 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

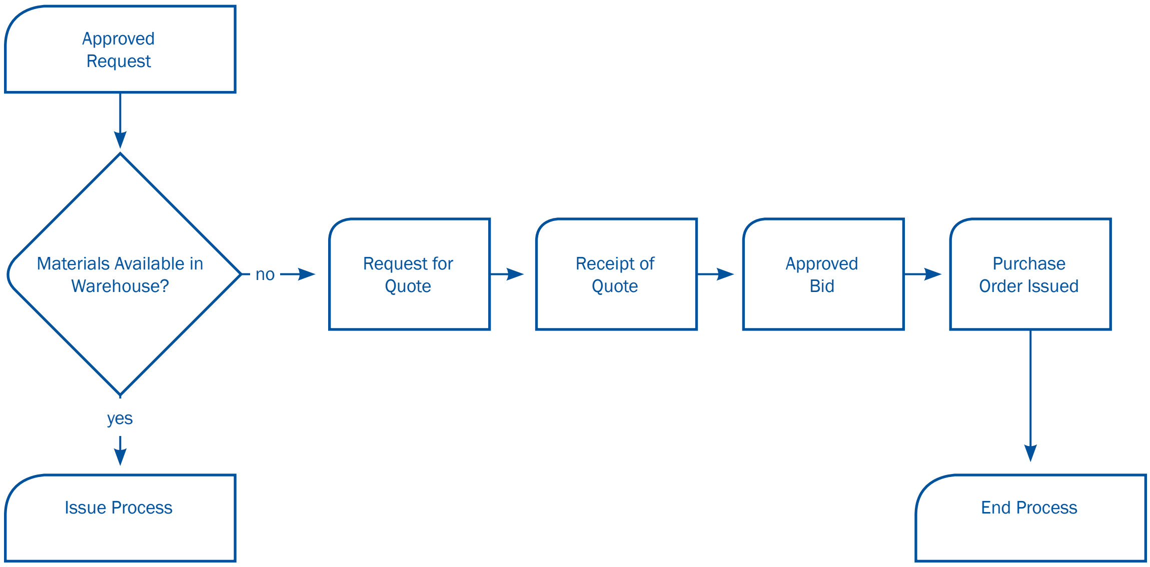
STEP NAME	PURCHASE AND ACQUISITION
Step Number	7.2.2
Inputs	1. Procurement policy 2. Approved supply and demand planning and pipeline 3. Approved requisition forms 4. Approved supplier list 5. List of approved/allowable items' specifications 6. Boilerplate/sample procurement contracts 7. For recurring purchases, the existing contract including previously used negotiated unit cost
Outputs	1. Request for quotations (RFQ) 2. Bid analysis report 3. Approved purchase order or contract
Organizational Roles	1. The requestor 2. Procurement officer 3. Procurement committee 4. Suppliers 5. Local government authority (if necessary)
Integration Points	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.

RICHARD LORD FOR CRS

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	1. Agreements policy 2. Approved requisition forms 3. Approved supplier list 4. Boilerplate/sample contracts
Outputs	1. Request for quotations 2. Bid analysis report 3. Approved purchase order/contract
Organizational Roles	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	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 order[2] 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

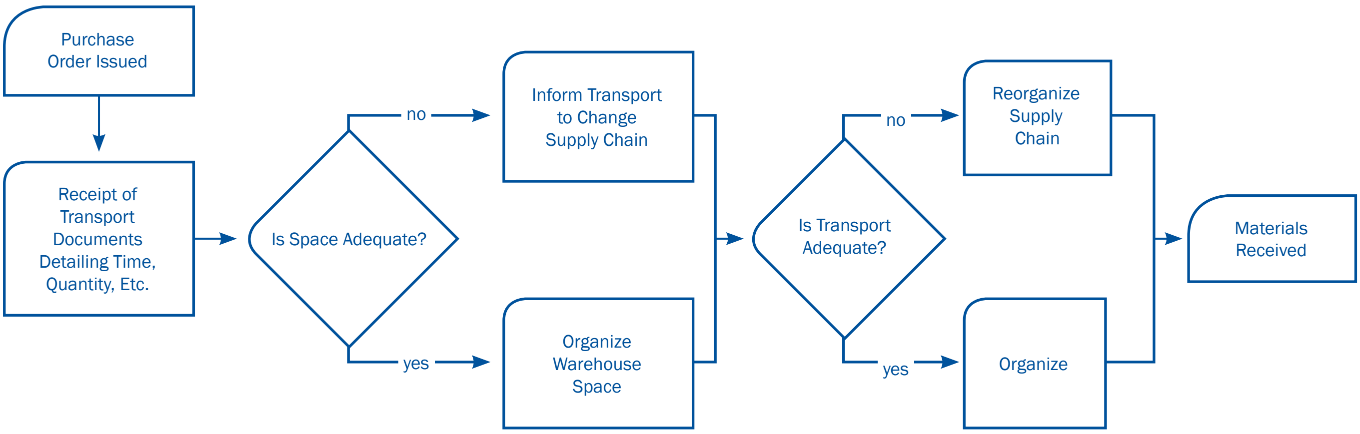
- All contracts and agreements have a documented legal review to ensure they state what they are intended to without creating unnecessary legal burden or undue risk on the organization.
- All contracts must be entered into the organization’s contract register.
- Every contract includes the position title 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	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	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	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	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 2000[3].

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.

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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

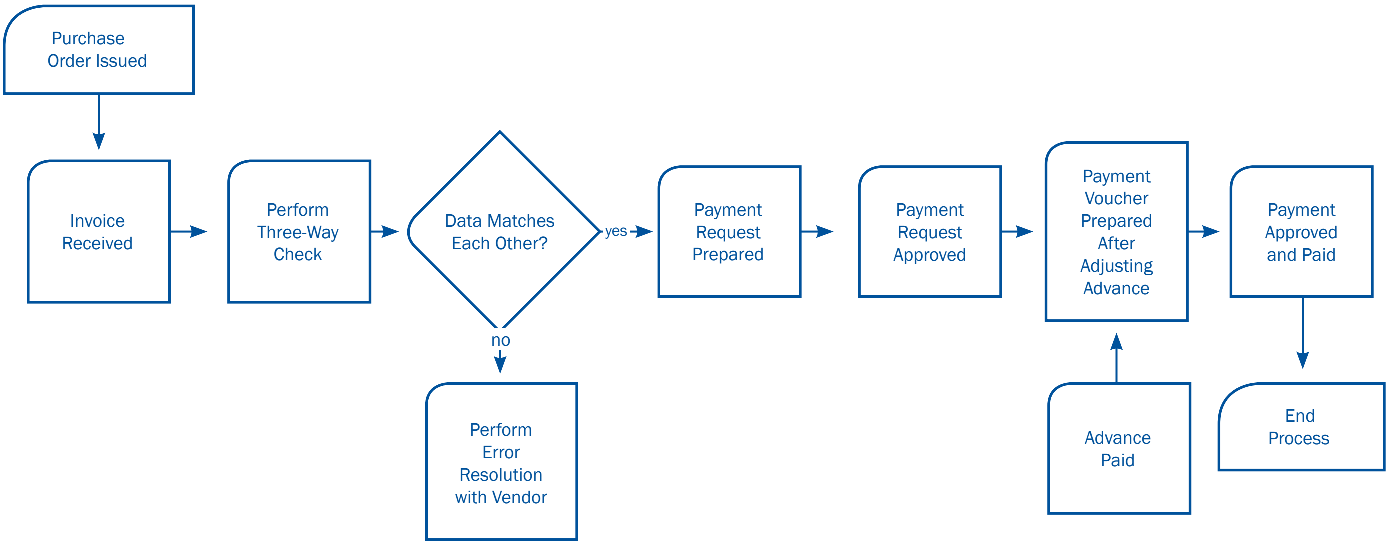
- There is a complete paper and electronic inventory information system, with good filing and retrieval options.
- There is a system for certification of quantity and quality of goods received, for managing losses, claims, and transporters' payment.
- If the goods are specialized and/or in large quantity, 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	1. Purchase requisition 2. Purchase order 3. Goods-received note 4. Invoice 5. Survey and other analysis reports
Outputs	1. Payment request 2. Payment documentation (finance)
Organizational Roles	1. Vendors 2. Purchase officer 3. Warehouse manager 4. Finance officer 5. Organization director
Integration Points	1. Finance unit: Provides payment verification and processing 2. 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.

MATTHEW BREMAN/CRS

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	1. Supplier information form 2. Market survey reports 3. Ad-hoc supplier performance review 4. Approval in pre-screen process
Outputs	1. Market (product and supplier) information database 2. Supplier performance reports
Organizational Roles	1. Purchase officer 2. Warehouse officer 3. Updater 4. Organization director
Integration Points	1. Finance system 2. Inventory management system 3. Market information sharing between functional units 4. Organization leadership for vendor relations
Summary	Organizations need to maintain adequate information on suppliers and good, open, and transparent relationships with key suppliers.

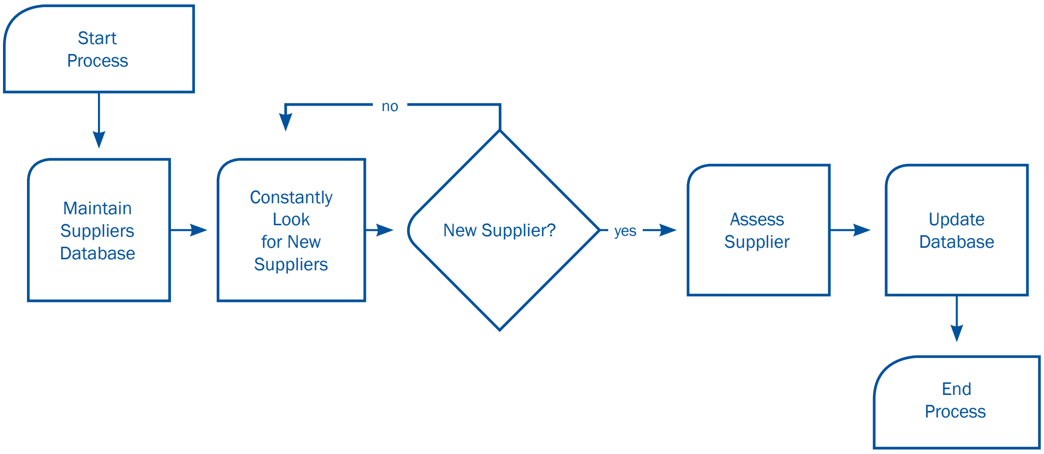
Supplier management is one of the roles of the procurement unit. It consists of supplier, product, and market intelligence, supplier performance management, and supplier relationship management.

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

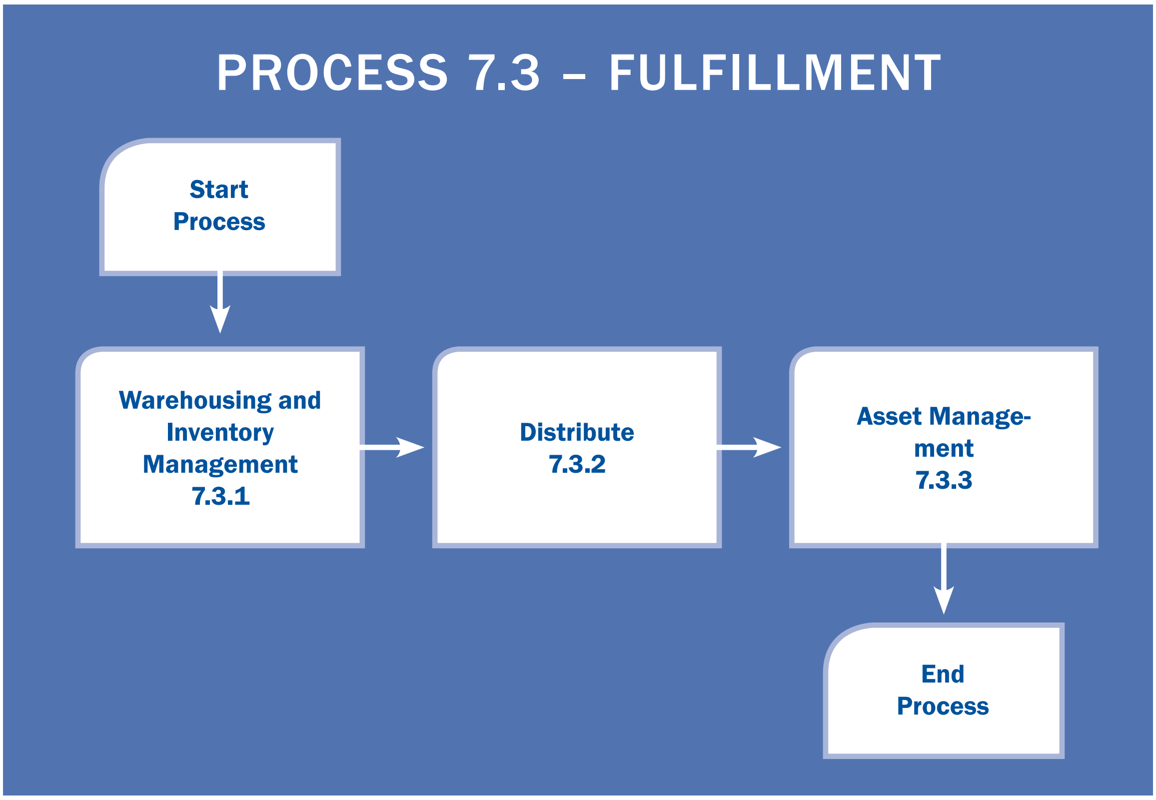
- The updater tracks performance metrics for each supplier and product against pre-defined standards (including quality, cost, time, and service) on a periodic basis. The maximum allowable period is one year.
- The organization continuously looks for new vendors and alternate supply modes.
- A formal 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	1. Purchase order 2. Waybill/packing list/delivery note 3. Survey report 4. Inventory status report 5. Warehouse layout/map
Organizational Roles	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	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.

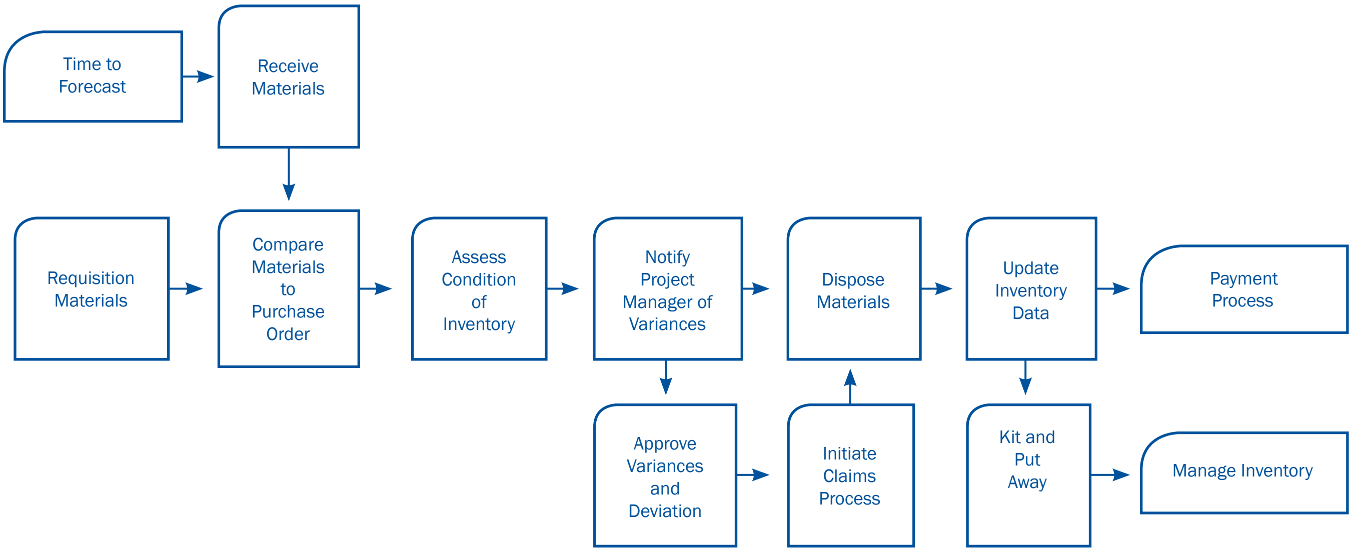
The warehouse management section defines the requirements for the storage and movement of all stored products, including all associated transactions related to products being received into the warehouse or shipped out of the warehouse.

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.

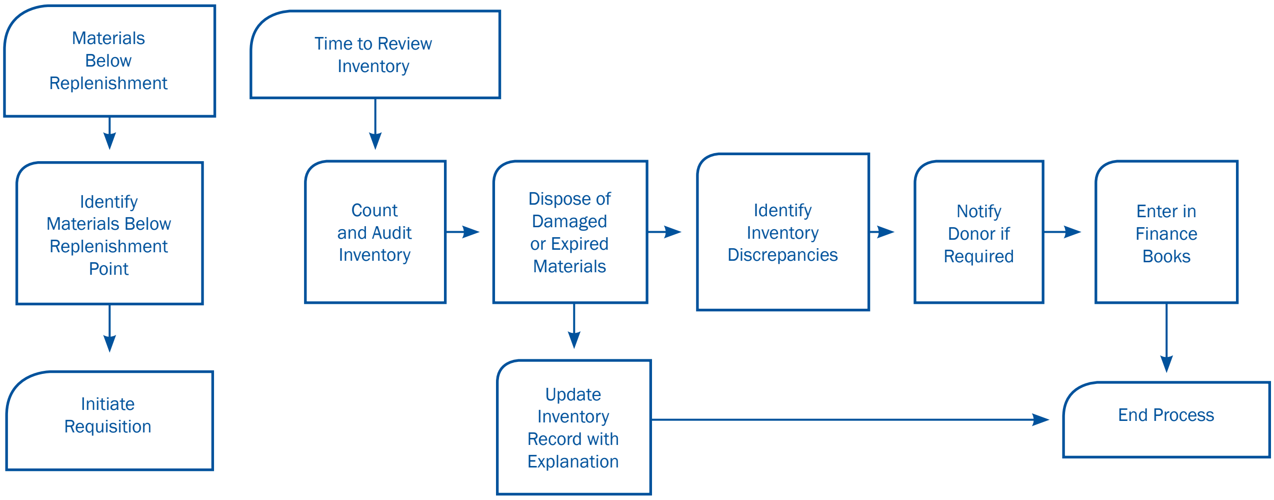
The term *inventory* designates the products held available in stock. Inventory management is comprised of handling functions related to the tracking and management of products. This includes the monitoring of products received into, stored in, and dispatched out of storage locations and reconciling 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 palettes, scales, sacs, 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.

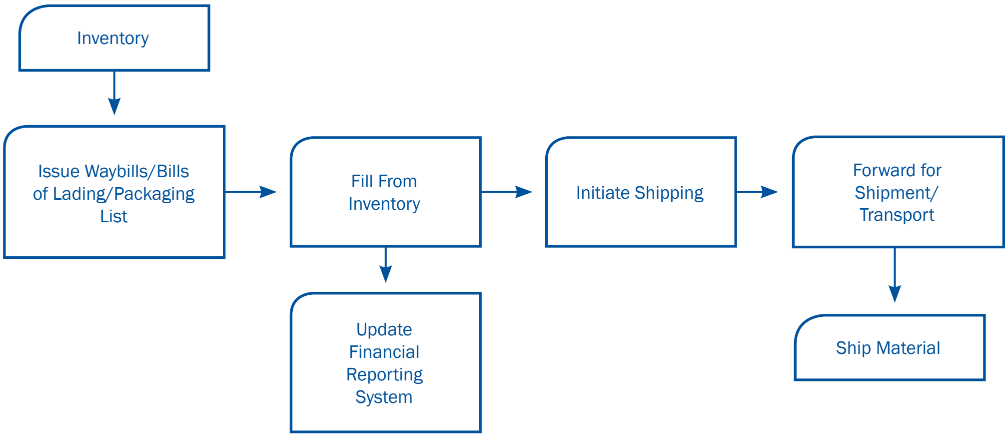
STEP 7.3.2 – DISTRIBUTION

STEP NAME	DISTRIBUTION
Step Number	7.3.2
Inputs	1. Requisition form 2. Waybill (dispatch and return) 3. Carrier list and rates
Outputs	1. Distribution and end user/recipient report 2. Inventory status report 3. Recipient receipt sheet
Organizational Roles	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	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	1. Vehicle file including specifications, purchase date, value, etc. 2. Log sheets including mileage, trips, maintenance/repair, fuel replenishment
Outputs	1. Cost/benefit analysis for maintenance decisions 2. Vehicle servicing schedule 3. Fuel efficiency report 4. Depreciation report and replacement/disposal plan
Organizational Role	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	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 include 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.

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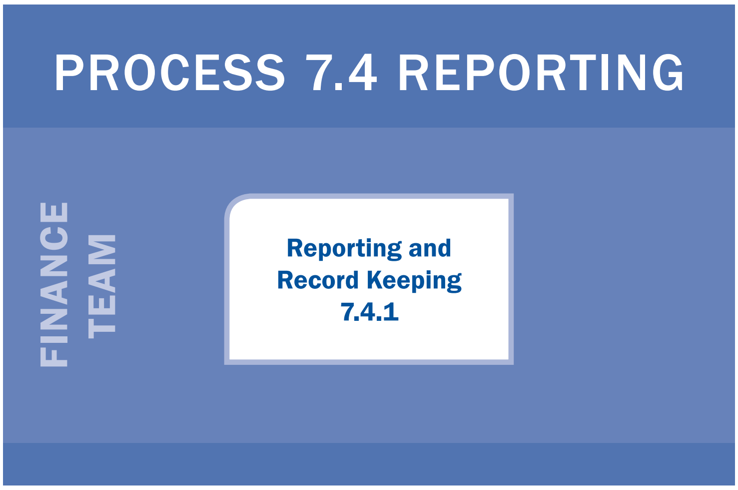
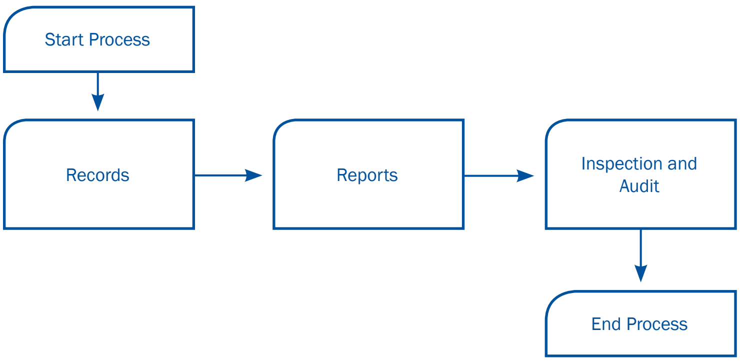
5 USAID, retrieved from ***http://www.usaid.gov/our_work/humanitarian_assistance/ffp/reg11p.htm#211.10***

PROCESS FLOW



STEP 7.4.1 – REPORTING AND RECORD KEEPING

STEP NAME	REPORTING AND RECORD KEEPING
Step Number	7.4.1
Inputs	1. Purchase file 2. Purchase request documents 3. Fleet management logs 4. Supply chain planning file
Outputs	1. Monthly purchase reports 2. Purchase filing system
Organizational Role	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	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 211[6].”

(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 II[7] 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 Tahen, 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

SEAN SPRAGUE FOR CRS

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

CATHOLIC RELIEF SERVICES

<<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: Good Condition	Missing / Short-Landed Units (A)	Torn or Leaking Containers (B)	Damaged Units (wet, crushed, etc.) (C)	Empty / Light Units (D)	Total Losses (A + B + C + 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

1. 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
2. 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. Incluidng 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.
3. 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.
4. 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.
5. 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 distrbuted 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 stack 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)

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CATHOLIC RELIEF SERVICES

Chapter 8:

Human Resources

CRS
CATHOLIC RELIEF SERVICES

GUIDE

Cover photo: CRS staff and those of partner agency Caritas Haiti at work at the United Nations compound in Gonaives. Photo by David Snyder for CRS.

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ACRONYMS

CV	Curriculum Vitae
HR	Human Resources
JD	Job Description
PMS	Performance Management System
SHRM	Society for Human Resource Management

CHAPTER 8: HUMAN RESOURCES

JIM STIPE/CRS

In Pakistan, a CRS community organizer shakes hands with several Afghan refugee women after a meeting at the Information and Legal Advice Center, which provides free support to refugees.

HR PROCESS MAP

Staffing, Recruitment, and Orientation

Process 8.1

Do you have a process used in all new-hire, transfer, and promotion decisions?
see page 9

Compensation, Benefits, and Payroll

Process 8.2

Do you follow best practices when compensating employees?
see page 21

Performance Management

Process 8.3

Do you assist your employees in maintaining and improving performance?
see page 36

Employee Relations

Process 8.4

Are mechanisms in place to ensure employee rights are met?
see page 57

Staff Care and Safety

Process 8.5

Are policies in place to protect employees and minimize risk?
see page 70

Separations

Processing 8.6

Do you have defined procedures for all instances of employee separation?
see page 79

PURPOSE OF THIS GUIDE

Organizations interested in developing or improving their human resources (HR) business processes, procedures, and related policies will use the information in this guide in different ways, as different organizations have unique contexts and business needs that will require “personalization” of human resources systems.

This human resources management guide addresses the need to use good business practices, systematize the HR process, ensure the effective and efficient management of HR resources, avoid confusion, and ensure fair and consistent treatment of everyone in the organization.

WHAT FUNCTION DOES HUMAN RESOURCES SERVE?

Human resources management is the organizational function that deals with issues related to all the people in the organization who individually and collectively contribute to the achievement of the organization’s objectives. Among these issues are staffing and recruitment, compensation and benefits, performance management, safety, well-being, communication, spirituality, employee motivation, development, and growth. HR management activities are intended primarily to attract, develop, retain, and transition employees. People are the organization’s most valued assets; human resources management promotes and administers policies and procedures that ensure that staff members have the skills, motivation, and opportunities to make their best contributions to the mission of the organization.

Staffing, Recruitment, and Orientation

The organization must plan what type of staff and positions are needed in the short and long term, based on organizational goals and action plans. This plan informs recruitment decisions and helps new hires integrate into the organization’s culture; engender trust, cooperation, and motivation; and be effective in contributing to the organization’s achievements. This is the process that introduces new hires to the systems, structures, policies, and communication flow in the organization.

Compensation and Benefits

The purpose of a compensation and benefits system is to pay employees for their work in a just manner. By offering competitive compensation and benefits packages, the organization can meet the needs of employees, thus attracting and retaining employees. Total compensation is a term that describes the entirety of what the organization is providing to an employee including salary and benefits.

Staff Care and Safety

Staff care pertains to assisting employees with self-care techniques and institutional responses to stress in particularly challenging environments. Staff safety procedures are designed to eliminate death, injury, or illnesses from occurring in the workplace or during the performance of work duties off-site and to secure and protect all assets of the organization.

Performance Management

Performance management is the process of assisting employees in maintaining or improving performance through defining clear expectations and development needs, ongoing employee coaching and development, and assessment of results. Performance management clarifies expected performance; helps the employee develop knowledge, skills, and attitudes; and holds the employee accountable for her or his work and behavior. Strong performance management is crucial to the success of any organization and/or project.

Employee Relations

Organizations are responsible for ensuring that the workplace is a positive and just environment in which to work. They should therefore institute mechanisms for maintaining positive employer-employee relationships, as well as mechanisms for employees to express their needs and to ensure that their rights are protected. By ensuring that employee relations practices are in place, the organization can more quickly and proactively address difficult problems such as grievances, low staff morale, or poor relationships among staff members.

Separations

The process of terminating employees varies depending on the reasons for termination. Separations should be handled with the utmost care, especially in cases in which it is the employer's decision to terminate an employment relationship. Organizations should ensure that the process is respectful of each person involved.

Timekeeping and Payroll Administration

In managing timekeeping and payroll administration, HR provides accurate and timely information to the finance department/unit on employees' time and attendance data, as well as on changes in employment status, pay rates, deductions, etc. This information will be used by the finance department/unit to prepare and execute payment of salaries.

Personnel Policies and Procedures

Personnel policies and procedures define the HR practices and processes required in the organization and define employees' rights, roles, and responsibilities. HR leads the development of these policies and procedures after careful consideration of local law requirements. Once approved by top management, the policies need to be communicated and explained to all employees and applied consistently. While this guide does not contain a separate section dedicated to personnel policies and procedures, all the processes described provide guidance to organizations to assist them with developing their own policies.

SUMMARY

The HR function encompasses many different areas, each involving various activities and processes. Although HR management can be a daunting task, this guide provides definitions and descriptions of various HR processes that should be considered as best practices that assist organizations to perform the key components of the HR function.

While organizations may not necessarily have an HR department/unit per se, there should be staff assigned the responsibilities associated with the human resources function. This HR management guide refers to an HR manager/designate as the only organizational HR role; organizations are responsible for defining job titles and responsibilities for this and additional roles based on their specific needs. The distribution of responsibility for each component of the HR function varies in different organizations depending on factors such as size of the organization, organizational budget, organizational structure, and management decision to outsource certain activities. Regardless, top management should ensure that at a minimum key elements of all components of the HR function are performed one way or another.

KEY PRINCIPLES

As with any functional area, human resources is guided by principles. These principles inform quality standards of performance for HR systems and processes. They also address the organizational environment in which HR takes place. In addition, they ensure that the organization's management sets appropriate policies and procedures on internal control. Management regularly assures that appropriate processes are functioning effectively and monitors and manages the risks to which the organization is exposed. Finally, HR ensures that effective internal controls are in place to reduce those risks to an acceptable level. Moreover, the guiding HR principles assist organizations in ensuring their employees are empowered, motivated, and engaged in performing to the best of their potential and thus contribute to overall organizational success.

The following key principles should be observed when instituting HR in an organization:

- **Top Management Commitment** – Top management commitment is essential to having comprehensive HR systems and processes linked to the organization's mission and strategy. The systems and processes should be instituted in the organization and applied consistently in order to help drive organizational success.
- **Compliance with Local Legal Requirements and Donor Regulations** – Organizations must ensure that all HR systems and processes comply with local legal requirements and donor regulations. This protects the organization from liabilities that could affect staff morale and the organization's reputation and existence.
- **A Fair and Just Workplace** – A fair and just workplace affirms the dignity of each employee in an organization. It ensures that everyone receives equal treatment irrespective of race, color, age, religion, sex, national origin, disability or handicap, or level in the organizational structure. Among the elements of a fair and just workplace are consistent application of HR business processes and policies, a fair compensation and benefits package for all employees, safe and healthy working environment, and equal opportunities for recognition, learning, and growth.
- **Communication** – Every organization should establish mechanisms for clear, open, and direct communication among all staff members at all levels of the organization. There should be feedback mechanisms from the top of the organization down to the lowest level and from the bottom up to ensure accurate, consistent, and timely information is shared as needed. This ensures employees have access to the information they

DAVID SNYDER/CRS

Farmers in Guatemala listen to CRS partners explain a method of farming designed to prevent soil run off.

need to do their jobs successfully and provides them with the opportunity to have a voice in decisions that affect them.

- **Confidentiality** – Most of the information relating to HR activities is of a confidential nature and should be treated as such. It is considered unethical to disclose certain types of HR-related information to persons or entities outside of those authorized to have access to such information. Failure to do so may expose the organization to risks and liabilities.

HR BUSINESS PROCESS 8.1 – STAFFING, RECRUITMENT, AND ORIENTATION

PROCESS DESCRIPTION

Robust staffing and recruitment processes along with a robust orientation process help to ensure a smooth transition into a new job or new organization and will help new employees integrate into the work environment and organizational culture. With these processes in place, it is likely that their needs will be met, enabling them to be successful in their new job.

Staffing and recruitment is the formal system used in all new hire, transfer, and promotion decisions. A successful staffing and recruitment system will be fair and transparent, ensuring that candidates are hired based on job skills, experience, certification, education, and other qualifications. By implementing a fair and transparent staffing and recruitment system, an organization is taking meaningful steps to ensure that diversity is valued and a candidate or employee is not discriminated against on the basis of age, race, religion, ethnicity, gender, or disability.

Effective recruitment ensures that organizations have the right people in the right job at the right time. The goal is to hire or promote staff with skills and qualifications that contribute to organization's goals and mission. A proper process attracts qualified internal and external candidates from which to choose the best-fit candidate. "Attracting the appropriate quantity of applicants is necessary but not sufficient.The quality of applicants is the critical factor in meeting recruitment goals."[1]

The benefits of having a clear and strong staffing and recruitment system in an organization include the following:

- Qualified and skilled people are hired.
- The organization, through the development of a staffing plan, has an adequate number and quality of staff to successfully achieve the organizational mission and complete strategic objectives and program plans.
- The organization, through use of the staffing plan, can evaluate gaps in staffing more easily.

1 Society for Human Resource Management Learning System (2009). *Module Two: Workforce Planning and Employment.* Page 2-132.

- Individuals are encouraged to maximize career opportunities within an organization rather than leaving for outside opportunities.
- Hiring the wrong person into a job can be prevented, therefore avoiding "selection errors [that] can negatively affect the organization's human capital management plan as well as corporate morale, management time, training budgets, productivity, and profitability."[2]
- Discriminatory hiring practices are avoided therefore reducing liability.

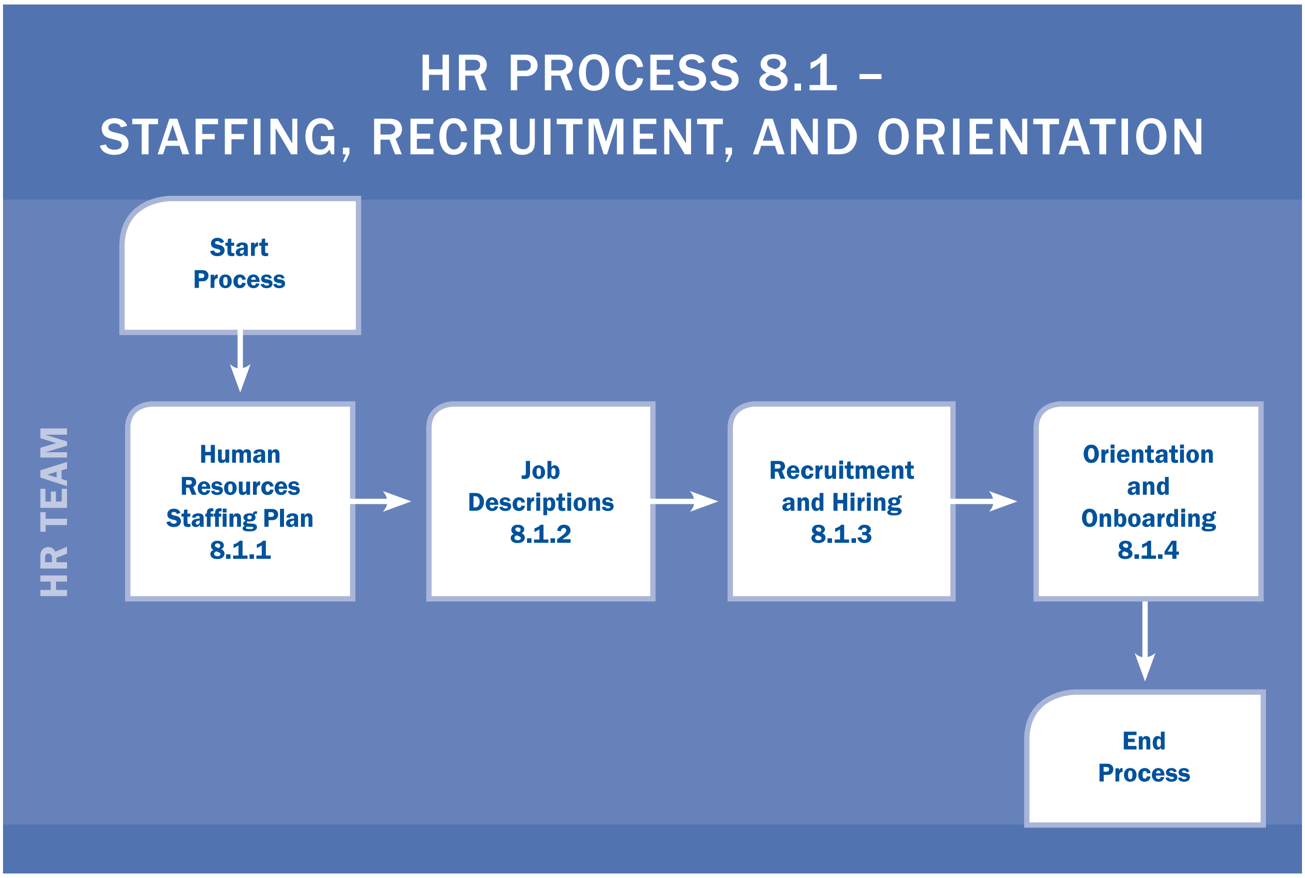
Always consult local law when instituting recruitment systems.

The benefits of an orientation program include the following:

- There is reduced confusion with job roles, reporting structures, and expectations, resulting in decreased turnover rates.
- Job effectiveness and impact is increased.
- Awareness of the organization's history, mission, vision, values, priorities, goals, and work is increased, which helps the employee to identify with his or her new employer.
- Employee integration and socialization into the organization's culture is supported, creating a sense of belonging.
- Orientation builds an optimistic attitude towards the organization.
- There is a reduction in new employee anxiety.
- Orientation sets performance expectations.
- The program provides a baseline of relevant information, therefore decreasing the learning curve associated with a new position.

2 Society for Human Resource Management Learning System (2009). *Module Two: Workforce Planning and Employment.* Page 2-186

PROCESS FLOW



STEP 8.1.1 – HUMAN RESOURCES STAFFING PLAN

STEP NAME	HUMAN RESOURCES STAFFING PLAN
Step Number	8.1.1
Inputs	• Organizational goals and action plans • Needs in the programmatic sectors • Funding available
Outputs	Human resources staffing plan
Organizational Role	HR manager/designate, head of organization
Integration Points	• Finance department/unit • Programming department/unit
Summary	The organization first builds a staffing plan based on organizational goals and action plans and on needs in the programmatic sectors. Then, finance is brought in for their knowledge of available funding. Finally, a staffing plan is put into place. The purpose of a staffing plan is to look ahead at needs for a defined period, usually a year. The staffing plan allows the organization to plan in advance the resources needed for recruitment and hiring for the positions indicated in it. A staffing plan does not always require hiring from outside the organization. Realigning or promoting internal staff is also an option.

The human resources staffing plan is implemented, evaluated, and used for long-range (yearly) strategic planning. Human resource planning is used by the organization to ensure that it is neither over- nor understaffed.

It is very important for the organization to plan what type of staff and positions are needed in the short and long term based on organizational goals and action plans. Available funding, introduction of new programmatic sectors, and other factors inform the staffing plan.

When a member of the organization wants to hire a new staff member, typically she or he submits this request in the form of a requisition. The information on the requisition is checked against the staffing plan to confirm that the additional or replacement position is in line with the overall plan of the organization for that year. Please see *Appendix A* for a sample staff requisition form.

STEP 8.1.2 – JOB DESCRIPTIONS

STEP NAME	JOB DESCRIPTIONS
Step Number	8.1.2
Inputs	HR staffing plan
Outputs	Job description document
Organizational Role	HR manager/designate, direct supervisor, hiring manager
Integration Points	N/A
Summary	The HR manager/designate, direct supervisor, or hiring manager, as applicable, prepares a detailed job description for each position to be filled. The job description specifies the responsibilities, required qualifications and skills, reporting relationships, and other important aspects of the position based on the organization's strategy, goals, and plans.

Based on the staffing plan as well as emerging organizational development and programmatic needs, the organization makes the decision to hire staff.

A well-written job description helps the organization create criteria to ensure that only candidates with the right training and experience are considered. The development of job descriptions for new positions makes it easier to establish selection criteria and evaluate applicants. Once the right person is hired, the job description is a valuable management tool to help set performance expectations, evaluate performance, and identify staff development, learning needs, and approaches (see ***Step 8.3: Performance Management***). Together with the employee, the direct supervisor should review job descriptions from time to time. Both direct supervisors and employees are responsible for revising job descriptions to make them current and meaningful.

Job descriptions should be developed based on the type of employees needed. There are core and temporary types of employees. Temporary employees include "floaters," on-call workers, and seasonal workers. Usually local labor law defines types of employment; the organization should adhere to these definitions.

Please note that individual contractors are not employees of the organization. They provide specialized services to the organization, including project data management, data administration, evaluation consulting, IT, and cleaning. The relationship between an individual contractor and the organization is defined in a contract or agreement that is different from that of an employment contract and is defined by local law. Individual contractors are not governed by the organization's HR systems, policies, and procedures. They do not enter into supervisor-supervisee relationships with any of the organization's staff. However, the contract should clearly indicate who is the contact person between the organization and the contractor. The contract/agreement should either define or refer to a scope of work outlining the nature of services, the deliverables to be accomplished, the timeframe within which the work will be accomplished, and how deliverables will be monitored and verified. The organization needs to ensure compliance with local tax laws regarding payment to individual contractors and withhold tax and any other deductions as required. Please see Chapter 7: Procurement for further detail on service contracts.

STEP 8.1.3 – RECRUITMENT AND HIRING

STEP NAME	RECRUITMENT AND HIRING
Step Number	8.1.3
Inputs	• Job vacancy announcement • Candidate application and supporting documents • Interview • Testing and background check • Employment offer
Outputs	The offer is accepted by the best-qualified candidate
Organizational Role	HR manager/designate, direct supervisor, hiring manager
Integration Points	Finance department/unit – payroll
Summary	The hiring process is the main part of the recruitment process. Make the job vacancy available to internal and external pools of candidates by posting the job to bulletin boards, email bulletins, media outlets, etc. Once the organization has identified a pool of qualified applicants, the selection process includes analyzing applicant documents, interviewing, testing and background investigation, and making an employment offer.

CHARLES J.SCHISLA

Attendees at a CRS even in Cuba.

The organization can choose either to look for candidates internally or to seek candidates externally from the general labor pool. The appropriateness of the approach depends on the organization's needs, culture, and strategy. The decision to recruit internally will be based on the organization's willingness to provide opportunities for staff promotion. If the organization has a culture and strategy that puts internal posting first, this gives opportunity to current staff for professional growth. (For more on staff promotion please see ***Step 8.3.4***: Rewards and Recognition.)

Once the decision is made, the position is posted internally and/or externally as appropriate.

Job Posting/Vacancy Announcement

Positions can be announced internally and externally. The internal job posting is a good practice as it gives current employees the chance to respond to vacancies. Again, this provides equal opportunity to all to apply for a job. It also allows all qualified employees to compete for positions. The organization should decide on the duration of the internal and external posting based on criteria such as timeline, expected time to fill the job, and operational needs. Internal and external postings can run concurrently.

Job postings may be communicated by posting notices on a bulletin board or communicating position announcements through newsletters, memos, electronic bulletins, or by phone. For external announcements, third party sources include state (public) employment agencies, employment agencies, media advertising, and the Internet. Other great sources for announcing an available position are through networking at all times for “sourcing,” sharing through coordination groups and professional associations, and so on.

Selection Process

Once the organization has identified a pool of qualified applicants, there is a need to gather the balance of information necessary to make a selection decision. This process should be based on local laws. The selection process involves the following stages:

- Analyzing applicant forms
- Interviewing
- Testing
- Reference and background checks
- Employment offer and employment contract

Analyzing Applicant Forms (Shortlisting)

In this stage, staff with HR responsibilities (specifically recruitment and orientation responsibilities) in conjunction with the hiring manager “analyze the candidates’ application forms and CVs/résumés to identify applicants who fit the minimum selection criteria.” [3] Application forms should include information that will point to the applicant’s ability to perform the position successfully. In other words, the application should include information beyond biodata.

Applicant qualifications should always be compared to the job requirements indentified in the job description.

Interviewing

Some organizations choose to prescreen candidates. Brief interviews, often conducted over the phone, are conducted with shortlisted candidates to confirm each candidate’s interest, experience, availability, and expectations. The short conversation is also useful in helping applicants to understand

3 Society for Human Resource Management Learning System. (2009). *Module Two: Workforce Planning and Employment*. Page 2-169.

the position and the organization as well as their fit for position and salary needs. If both parties are still interested, the candidate is asked to come in for an interview.

A carefully selected interview panel should interview the shortlisted candidates. Panel interviews that include participants with diverse backgrounds from the organization mitigate the chances of bias, favoritism, corruption, etc. A panel should consist of the person responsible for HR functions (e.g., recruitment), the hiring manager, and others as appropriate.

Interviews are designed to probe the interviewer's areas of interest in order to determine how well the candidate meets the criteria of the position and the needs of the organization. It is important that the interviewers are properly prepared to conduct the interview, as the interview is a critical selection device.

"Some organizations conduct a series of interviews ranging from short prescreening interviews (20 minutes or less) to long in-depth interviews (one hour or more). Interviewing styles depend upon the preference of the interviewers and the situation, but consistency with each candidate for the position must be maintained."[4]

One of the most important guidelines of the interview is the need to plan for interview. The applicant's CV or résumé and other application materials should be reviewed and compared to the job requirements in the job description. This provides an opportunity to plan interview questions that will yield relevant job-based information.

The panel should have the list of pre-determined questions to ask, which may be accompanied by a rating system. Interview questions should include behavioral questions.

The following are tips for conducting a panel interview:

- The same questions should be asked of each candidate for a given position.
- Panel interview members should not interrupt each other and should ask the questions in a pre-determined sequence.
- Provide the applicant with an opportunity to ask questions.
- Tell the applicant when a decision is expected to be made and how it will be communicated.

4 Society for Human Resource Management Learning System (2009). *Module Two: Workforce Planning and Employment.* Page 2-172

Testing (skills assessment)

Organizations may choose to test applicants before or after in-depth interviews. If the organization chooses to conduct testing, the test must be valid, reliable, and job-related. Tests help to reveal more about the applicant's pertinent skills and knowledge for the particular position. For example, testing is often conducted for positions in accounting, driving, and report writing because these positions require a particular set of technical skills.

Reference and background checks

Based on the evaluation of the applicants, recommendations are made for the top candidates for the position. In order to avoid hiring unqualified candidates (e.g., those without the requested education, skills, or experience) or candidates who present risks (e.g., theft, fraud, or misconduct), organizations should check references thoroughly. Preferably, three references should be checked. References should be obtained from former employers or supervisors. Organizations should ask for permission from the applicant to conduct reference checks.

Organizations may also choose to conduct background checks. This may include verification of academic credentials, credit history checks, criminal records, and other records. Local laws concerning background checks should be consulted. The employer may be legally required to request verification of certain documents prior to signing an employment contract and there might be legal restrictions on requesting other documents. Background checks are usually conducted following an employment offer.

Employment offer and employment contract[5]

An employment offer should immediately follow the final decision to hire a candidate. An employment offer makes the hiring decision official and is formally communicated through an offer letter. The organization may verbally extend the job offer and at the same time discuss the details of the offer. The offer should specify by when the candidate must respond before the offer is no longer valid. It is important to remember that employment offers must be worded carefully to avoid misunderstandings.

"An employment contract is a legally binding agreement that explains the relationship between the employer and employee."[6] The employment contract should be written to clarify employment terms that can otherwise be subject to misunderstanding and misinterpretation. The template of the employment contract should undergo legal review.

5 Also referred to as an employment agreement

6 Society for Human Resource Management Learning System (2009). *Module Two: Workforce Planning and Employment*. Page 2-195

There are many items to consider in written employment contracts depending on the organization, the job, and applicable local law. The following are recommended to be included in the employment contract:

- Terms and conditions of employment, including timeframe and working hours
- Length of probationary period
- Job description
- Confidentiality and nondisclosure terms
- Compensation and benefits
- Reference to policies
- Terms of resignation and termination
- Appropriate signatures and date

Personnel file

A personnel filing system should be maintained. Each employee's file should consist of all documents related to the employment relationship such as contract, job description, CV/résumé, warning letters, leave documents, and performance plans and appraisal. The documents should be accessible to employees upon request but otherwise kept confidential. The local law on employee filing and document retention should be consulted.

STEP 8.1.4 – ORIENTATION AND ONBOARDING

STEP NAME	ORIENTATION AND ONBOARDING
Step Number	8.1.4
Inputs	• Job description • Organizational mission and principles • Organizational charts • Annual plan • Personnel policies and procedures • Forms the employee will be using • Technical manuals and guides
Outputs	• Checklist for completion of orientation process (optional but highly recommended) • Proper forms are collected for payroll and benefits
Organizational Role	• HR manager/designate • Direct supervisor
Integration Points	Heads of various departments need to collaborate to ensure that the employee experiences an appropriate and comprehensive orientation.
Summary	Orientation and onboarding is designed to introduce new hires to the organization, fellow employees, their immediate supervisors, and the policies, practices, and objectives of the organization directly related to the employee's job function.

The orientation and onboarding process is usually spread out over a few months. It includes frequent feedback, relationship building, and mentoring. It is designed to help the new hire integrate into the culture and become a productive member of the organization. An orientation and onboarding process "not only helps new hires to understand job-specific information, but also provides organizational information to help the new hire fully understand the organization."[7]

An organization should have an orientation and onboarding checklist to guide the direct supervisor and employee. The employee should sign the checklist to validate that it was completed at the end of the orientation period. A copy of this signed checklist should be kept in the employee's personnel file.[8]

7 CARE. (2007). *Welcome Package.* Manuscripts on compact disc.

8 Catholic Relief Services. (2010). *Institutional Capacity Development Tools for Local Partners, Human Resource Policies and Procedures.* Unpublished Manuscript.

HR BUSINESS PROCESS 8.2 – COMPENSATION AND BENEFITS

PROCESS DESCRIPTION

The purpose of a compensation and benefits system is to compensate employees for their work in a just manner. By offering competitive salary and benefits packages, the organization can meet the needs of employees, thus attracting and retaining employees. Total compensation is a term that describes the entirety of what the organization is providing to an employee, including salary and benefits.

The following are among the benefits of a compensation and benefits system:

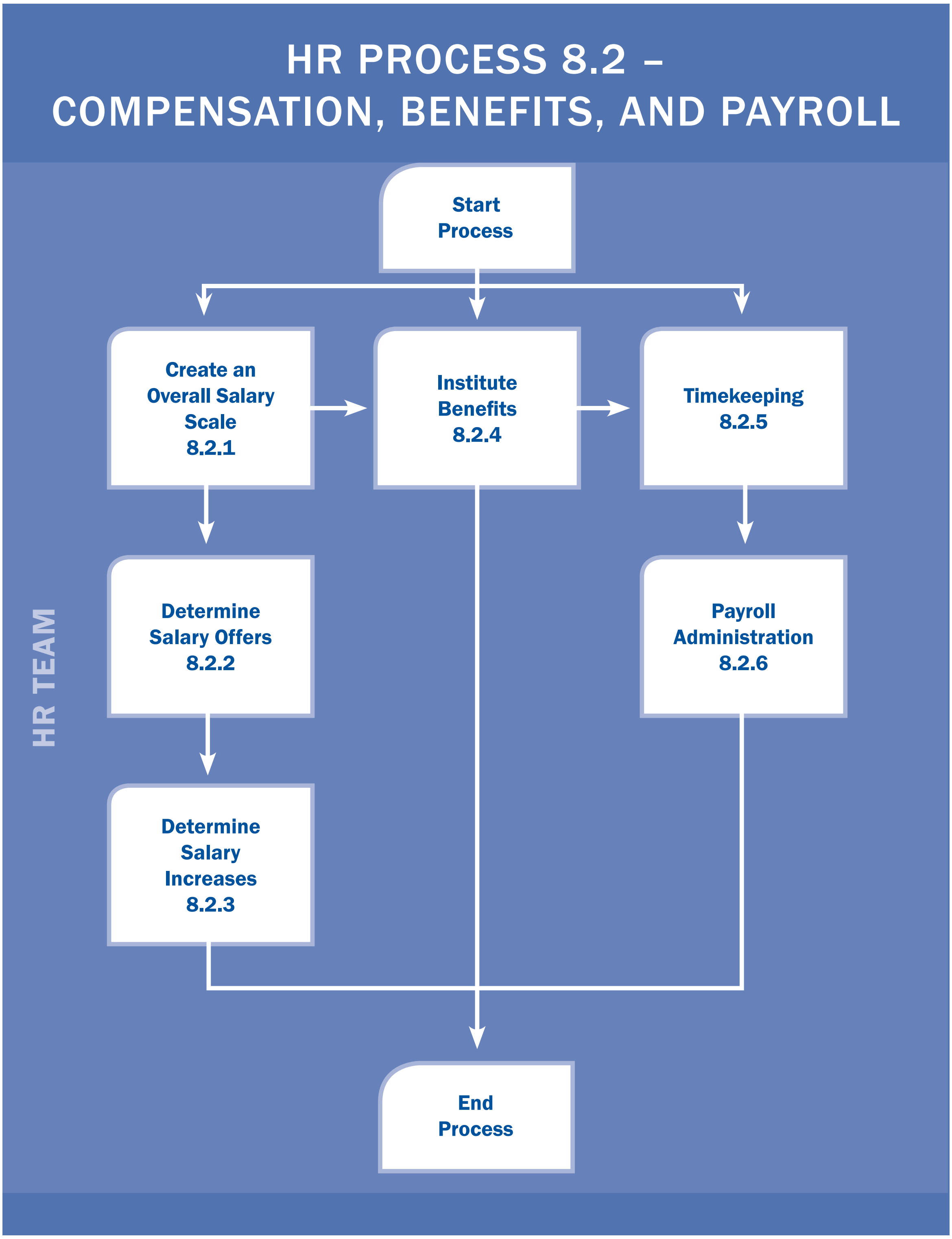
- Each staff member is paid fairly and equitably and can understand how his or her salary was calculated, reducing possible tension around compensation.
- If the organization cannot pay competitive salaries, there may be other benefits, such as increased leave, which may be very attractive to potential candidates.
- By communicating the entire package of compensation and benefits the organization may be more competitive and better positioned to attract and retain staff.
- An organization will be able to approach total compensation and salary increases consistently.

Strong HR systems take a systematic approach to compensation and benefits. The following are among the best practices related to the compensation and benefits system:

- Determine salary levels and benefits that, at a minimum, meet the minimum requirements of local law. Seek legal advice to ensure compliance with local regulations.
- Use a documented system for determining salaries and salary increases. While salary information for individual employees is kept confidential, this system should be accessible to all staff. This ensures transparency and guarantees that salaries are determined based on the systematic approach approved by the organization.
- Related to the above, a documented system lowers the legal risk to the organization, as it eliminates the potential of paying salaries based on unclear and/or illegal criteria such as gender, disability, or religion.

- Ensure benefits are offered consistently. If the organization offers benefits to one individual they must be offered to other employees in the same employee category or location. Care must be taken to ensure that benefits are offered consistently and without discrimination.
- Maintain confidentiality of health information. Supervisors and coworkers do not need to know any specific information beyond whether and how much an employee is able to work. HR staff may be required by law to decline to answer questions—even from senior leaders—regarding the health of an employee.

PROCESS FLOW



DAVID SNYDER/CRS

Gladys Omboi, a Clinical Officer at the Nazareth Holy Family Center in rural Limuru, Kenya, keeps track of the condition of her patients through careful record keeping.

STEP 8.2.1 – CREATE AN OVERALL SALARY SCALE

STEP NAME	CREATE AN OVERALL SALARY SCALE
Step Number	8.1.1
Inputs	• Job descriptions • Market salary analysis
Outputs	Salary scale
Organizational Role	HR manager/delegate
Integration Points	Finance department/unit Head of organization
Summary	An overall compensation structure should be developed to guide the organization in what to pay for each position. The compensation structure is a framework that groups positions that receive the same range of remuneration. The organization may choose to design the structure by assigning each job to a band or grade giving maximum and minimum salaries for each job. Note that there may be legal requirements to pay staff in certain positions a specific wage.

The first step in creating a salary scale is to evaluate jobs based on criteria in order to group them. The organization will decide what criteria to use. Typical criteria include the following:

- Level of responsibility for financial, material, or human resources
- Complexity of responsibilities
- Decision-making authority
- Extent of external representation and relationship responsibilities

Please note that job evaluations are not in any way an evaluation of the worth of the staff member who fills that position. One method of job evaluation involves grouping jobs after ranking all jobs in the organization according to criteria such as those listed above.

The organization may choose to group jobs in tiers of salaries with a smaller range of salaries. The resulting salary scale will result in a salary grade structure, an example of which follows. A salary grade structure arranges jobs into many levels of salaries and may have as many as 20 levels. Each level is called a salary grade. Each grade has a narrow salary width and is comprised of a minimum, a midpoint, and a maximum.

Illustration of a sample salary grade structure:

Grade	Minimum	Midpoint	Maximum	Percent Spread	No. of Jobs in Grade
1	$32,000	$38,500	$45,000	40%	10
2	$36,880	$44,275	$51,669	40%	5
20	$85,300	$102,400	$120,000	40%	2

Once jobs are assigned to a grade, maximum and minimum salaries should be determined for each job. The government may require a minimum salary for a particular job or for all employees, so be sure that minimum salaries are consistent with these requirements. In addition to the minimum and maximum salaries, also include possible salaries at any point within the range.

The salary grade scale is just one example of a salary structure; broad band structure is another example. The broad band structure consists of several levels called bands. A broad band structure typically has four to six bands. Each band has a broad salary width covering many jobs with similar salaries and levels of responsibility. Every job has a designated maximum and minimum salary and any salary amount within that range could be offered to an employee depending on the type of job, years of experience, internal equity among the other employees, and a host of other criteria. Within a single band the salary ranges for different jobs may overlap but do not need to be the same.

Illustration of a sample broad band structure:

Band	Minimum	Midpoint	Maximum	Percent Spread	No. of Jobs in Band
1	$32,000	$51,000	$70,000	120%	50
2	$41,000	$66,000	$91,000	120%	100
3	$60,000	$98,000	$136,000	130%	55

Knowing the organization's needs and culture will help to determine the salary structure. If hierarchy is important to the agency, then a grade system may be a good fit. If the organizational structure is flat and requires flexibility to accommodate employees moving from one position to another, then the broad band structure is best as it allows changes with or without a salary increase or decrease.

STEP 8.2.2 – DETERMINE SALARY OFFERS

STEP NAME	DETERMINE SALARY OFFERS
Step Number	8.2.2
Inputs	• Compensation structure • CV or résumé • Applicant's salary expectations
Organizational Role	HR manager/designate
Integration Points	• Head of organization • Budget manager
Summary	When the recruitment process reaches the point of making an offer of employment, the organization will need to determine the appropriate salary for the candidate. Use the compensation structure and organization-determined criteria along with the candidate's CV or résumé to determine a salary for the new employee.

Now that the organization has established a compensation structure defining what salaries may be offered to staff, this task is much easier.

The steps for determining a salary offer are as follows:

- Determine in advance what criteria the organization will use to place the candidate within the range for that job (broad band) or the criteria for selecting a particular step in the salary grade for that job. For example, the organization might decide that in order to receive the midpoint of the range for a particular job, an employee must have five years of relevant experience in a similar position and certification in her or his field.
- Next, examine the candidate's CV or résumé to determine to what extent the candidate meets each of the criteria. Evaluate education level, years of experience, type of experience to make a judgment that best matches the candidate's qualifications to the salary structure.
- Consider the salaries, qualifications, and experience of existing employees whose roles and responsibilities are similar to those expected of the employee whose salary is to be determined.
- Use the compensation structure and established criteria to determine the offered salary for the new employee.

When communicating the salary offer, be sure to specify whether the offer includes or excludes employee and employer contributions required by local law.

STEP 8.2.3 – DETERMINE SALARY INCREASES

STEP NAME	DETERMINE SALARY INCREASES
Step Number	8.2.3
Inputs	Depending on the method of providing an increase selected use the following: Merit increase plan Salary survey schedule Budget
Outputs	Adjusted employee salary
Organizational Role	HR manager/delegate Direct supervisor
Integration Points	Finance department/unit Head of organization
Summary	The organization has several choices in to its approach to salary increases. Decisions about how to pay employees and on what basis to increase their pay will vary based on legal requirements and the values and needs of the organization. Pick an approach that meets the legal requirements of your country and is the best fit for the culture and values of the organization. When selecting one or more methods of increasing employee pay, it is important to consult with senior leaders in order to have appropriate buy-in and approval.

There are five approaches that organizations use for determining salary increases.

- **Merit/performance-based** – Many organizations adopt a compensation approach that offers larger increases to higher performing staff. This system does not characterize a person as a high performer permanently. Instead, it rewards the employee's performance for that particular review period. The increase may be in the form of an increase in base pay, a bonus, or an incentive. The merit/performance-based approach assumes that there is a functioning performance management system in use by the organization. Please see ***Step 8.3: Performance Management*** for more information.

Example 1: A staff member performed excellent work last year and received a substantial salary increase for that year. This year, she did not perform to her potential and will therefore receive a smaller salary increase this year.

Example 2: Based on predetermined criteria, a microfinance facilitator will receive a particular salary increase and will also receive an extra amount for each new group started, or each group that maintains a rate of repayment that is above a certain target.

- **Market** – Often organizations offer increases based on the market value of the positions. This approach considers salaries for staff in comparable positions in other organizations. With this approach the organization needs to decide whether to pay staff above or below salaries offered in organizations of a similar size. It must be noted that that not all staff will receive the same increase, or any increase at all, with this approach.

Example: If a program manager is underpaid in comparison with the market value for this position but an accountant is currently paid more than the market value, the organization may decide to offer an increase to the program manager but not to the accountant.

- **Cost of living** – Some organizations offer all employees the same percentage increase for a given year. This is generally linked to inflation, with the intent that the position has the same purchasing power from one year to the next.

Example: All staff members received a large increase last year since inflation was high. As inflation is lower this year, all staff members will receive the same lower percentage increase.

- **Tenure** – Some organizations will link pay increases to how long the employee has worked at the organization. Designated increases will come after meeting certain timeframes, whichs can be the same or differ across all positions. In some countries laws regulate this with a mandatory, and often small, percentage increase for designated positions or across all employees.

Example: A driver has been with the organization for six years and received an increase after reaching year two and year five but will not receive an increase in the sixth year.

- **Combination** – Often organizations will combine two or more approaches from the above. One approach is to combine market and merit compensation. This combination rewards employees for strong performance and assists in retention because salaries are compared with those offered by other organizations so they will not be too different from competitors.
- **Adjust the salary scale over time** – Over time the minimum and maximum salaries in a compensation structure will need to be adjusted. The following are possible reasons:
  - Government may establish new minimum standards for salaries

- Shifts in the labor market affect salaries
- Inflation may decrease purchasing power of a given salary
- Cost of living may increase

The organization has several options in determining the rate at which salaries increase. Governmental agencies may publish statistics on inflation and cost of living that can be used as a basis for changes. Research organizations may also provide information on the basket of goods to show cost of living increases. Purchased salary surveys may be used to determine shifts in the local labor market.

Regardless of the method chosen for determining salary increases, please remember the following best practices for sharing information:

- Individual salaries are confidential and should not be shared.
- The organization may decide to share salary ranges. If they are shared, the organization should also explain the criteria for salaries, which may include the number of years of relevant experience, education, or certification and performance.
- The method for determining salary increases should be communicated so that it is clearly understood by all employees.

STEP 8.2.4 – INSTITUTE BENEFITS

STEP NAME	INSTITUTE BENEFITS
Step Number	8.2.4
Inputs	Market survey Local labor law
Outputs	Benefits
Organizational Role	HR manager/delegate
Integration Points	Head of organization Finance department/unit (payroll)
Summary	The purpose of benefits is to complement the employee's salary in order to meet their needs, thus attracting and retaining employees. There are various types of employee benefits that an organization can offer. Clear communication of benefits available to employees will ensure transparency and consistency.

The following are some things to remember when managing employee benefits:

- Before making a decision about what benefits the organization should provide, it should be confirmed whether or not the benefits are tax deductible. Organizations need to determine what types of benefits they will provide based on local laws, the organization's mission and culture, and local culture and context.
- Clearly communicate the benefits to ensure transparency and consistency.
- Staff members should be clear about what will happen to their benefits if they separate from the organization. For example, they should know what happens if they leave the organization before using all of their leave.
- It should be noted that some donors do not allow coverage of certain benefits with their funds.
    - Account for benefits in donor budgets. When discussing a budget from a potential funder, it is advisable to discuss whether the compensation line item includes benefits. If benefits are excluded, this represents an added expense to the organization. If benefits are included in the compensation line item, it is recommended that staff salaries be offered at a percentage below that listed in the budget so that these funds may be used to cover health, retirement, or other benefits. Ask the donor for guidance on how this should documented, as premiums are likely paid for all staff rather than the few who are working with this donor.

The common types of benefits an employer can offer include the following:

- **Leave and paid holidays:** Leave may also include paid or unpaid time off for maternity or paternity, at the time of death of a family member, military service, or civic duty.
- **Health coverage:** Benefits can range from monetary allowances for medical expenses to a reimbursable fund. Health coverage varies widely. Some health benefits cover only basic procedures but not more serious illnesses. Some organizations will cover dental and vision care in addition to basic health coverage. Regardless of the health benefit, be sure to define who is eligible: The staff member only? Spouse and children? Extended family members?
- **Compensation for work-related injuries:** A percentage of his or her salary may be offered to the employee in the case of work-related injury.
- **Disability:** In the event that the employee becomes unable to work due to health, the employer may contribute a pre-determined amount of money or ongoing salary to the former employee.
- **Retirement:** The organization may provide a payment defined either as a benefit, which specifies the amount that will be given at time of retirement, or as contribution, which specifies the amount contributed to a retirement plan. In the case of contribution, the actual amount to be given to the employee at time of retirement may vary.
- **Life insurance**: Some organizations assist employees in paying funeral expenses of family members, others pay a beneficiary in the event of employee death. Depending on local law, life insurance does not always go to a designated beneficiary; it may go to the estate or to "survivors."
- **Transportation to work:** This may take several forms, including a designated pick up and drop off service, particularly where security is an issue; an allowance; or purchase of transportation vouchers.
- **Moving expenses:** The organization may also choose to pay to move a current employee who is relocating or a newly hired employee who is accepting a position with the organization in another location.
- **Other benefits** may include dependent care and medical expense accounts.

STEP 8.2.5 – TIMEKEEPING

STEP NAME	TIMEKEEPING
Step Number	8.2.5
Inputs	Timesheet form
Outputs	Completed and approved timesheets for all employees
Organizational Role	Employees Direct supervisors HR department/Unit
Integration Points	Coordination between the HR department/unit and all direct supervisors
Summary	Timekeeping is the process of compiling information on each employee's time and attendance data. It aids in the accurate and timely compensation of employees and demonstrate accountability to donors by ensuring each employee's time and attendance data reflect his or her actual activity.

Timekeeping is the process of compiling information on each employee's time and attendance data. It aids in the accurate and timely compensation of employees and demonstrates accountability to donors by ensuring each employee's time and attendance data reflect his or her actual activity.

Payroll consists of all employee salaries, wages, bonuses, cash benefits, and deductions. The HR department/unit is responsible for providing accurate and timely information to the finance department/unit on employees' time and attendance data, as well as on changes in employment status, pay rates, deductions, etc. This information will be used by the finance department/unit to prepare payroll calculations, do the payroll accounting, and disburse employees' salaries.

Timekeeping is done using timesheet forms, which should contain the following information at a minimum:

- Employee name (first and last names)
- Employee identification number
- Department/unit name
- Assigned activities during the pay period (numerical codes may be used for this purpose)
- Hours worked each day

- Paid time off (e.g., vacation or holidays)
- Signature of the employee and date of signing
- Signature of the employee's direct supervisor and date of signing
- Time period during which the activity was performed

Each timesheet should meet the following standards:

1. It must show an after-the-fact determination of the actual activity of the reporting employee.
2. All hours worked by the employee and all work-related activities in which the employee was engaged must be reported on the timesheet. The employee must specify the hours worked each day of the reporting period.
3. If the organization's practice is to submit timesheets manually, the timesheet must be prepared in ink, signed, and dated by the reporting employee.
4. It must be prepared on a basis consistent with the employee's pay period, but not less frequently than once a month.

Each employee should submit a timesheet for each payroll period using the organization's standard form. The timesheet should be submitted to the employee's direct supervisor for approval and then routed by the supervisor to the HR department/unit for preparation of the payroll information sheet. The timesheet preparation and submission process may be either manual or automated. In no case will salary be paid to an employee if she or he has not submitted a timesheet.

STEP 8.2.6 – PAYROLL ADMINISTRATION

STEP NAME	PAYROLL ADMINISTRATION
Step Number	8.2.6
Inputs	Master salary record for each employee Tax notices HR (administration) memoranda
Outputs	Payroll information sheet
Organizational Role	HR manager/designate Department/unit heads Head of organization
Integration Points	All department/unit heads Finance department/unit
Summary	Payroll consists of all employee salaries, wages, bonuses, cash benefits, and deductions. Provision of accurate and timely information from employees' personnel files and master salary records in the form of a payroll information sheet to the finance department/unit is a prerequisite for payroll calculation, accounting, and disbursement.

Payroll consists of all employee salaries, wages, bonuses, cash benefits, and deductions. The employer must retain all records pertaining to payroll. Such records include salary and wage histories and all salary and wage deductions for the periods of time stipulated by statute and standard business practices. Both the HR department/unit and the finance department/unit have responsibilities related to payroll administration but it is critical that the two departments/units are independent in executing those responsibilites. Due to the sensitive and confidential nature of payroll, it must be administered with due care and diligence. Strong internal controls should be in place to ensure segregation of duties and checks and approvals at the appropriate level of authority.

The main HR function in payroll administration is to compile the information needed for payroll calculation and accounting, as well as for executing payment. In order for the HR department/unit to be able to compile the information needed, it should maintain the following:

- Personnel files (please refer to ***Process 8.1***)
- For each employee, a master salary record showing the current rate of pay, allowances, and statutory and voluntary deductions

Using these sources of information, the HR department/unit prepares the payroll information sheet for each payroll period considering the following information:

- New hires
- Terminations
- Changes in employment status
- Changes in pay rates
- Changes in employee deductions
- Employee time and attendance data

Upon verification and approval by the HR manager/designate, the payroll information sheet is presented to the finance department/unit for payroll calculation and accounting, as well as for executing payment. For more information on the payroll management function of the finance department/unit please refer to Chapter 6: Finance.

HR BUSINESS PROCESS 8.3 – PERFORMANCE MANAGEMENT

PROCESS DESCRIPTION

Performance management is the process of defining clear performance expectations and development needs and ensuring ongoing employee coaching, development, monitoring, and assessment. This process assists employees in maintaining or improving performance and in developing knowledge, skills, and attitudes. It holds employees accountable for their work and behavior and is crucial to the success of any organization. As in all areas of personnel policy, local labor law should be consulted before designing and implementing a performance management system (PMS) to ensure compliance with the law. Employees and their direct supervisors are collaborators in implementing the PMS, as they all work toward the same goals.

The following are some of the benefits of an effective PMS:

- Sets employees up to succeed, so they can serve the best interests of the organization
- Provides guidance so employees understand what they are expected to achieve and the work-related behaviors that will lead to achievement of their goals
- Provides enough flexibility that individual creativity and strengths are nurtured
- Provides enough control that people understand what the organization is trying to accomplish
- Ensures accountability of both employees and supervisors
- Develops the skills and careers of employees
- Ensures employees are empowered, motivated, and engaged to perform to their best potential
- Increases job satisfaction and morale among employees
- Reduces employee turnover and ensures employee retention
- Drives organizational success
- Promotes a positive organizational image and reputation

Performance management should be a component of the job description for each supervisory position. Each supervisor needs to have the skills necessary to assist employees in achieving performance standards and growing professionally. More specifically, the direct supervisor's role in performance management includes the following:

- Assist employees in setting individual objectives that contribute to the achievement of their unit/departmental plans
- Ensure each staff member has a clear understanding of what is expected of her or him
- Serve as a coach, counselor, and guide assisting employees on an ongoing basis in achieving set targets
- Work with employees to revisit and revise performance and development plans as necessary when organizational priorities change
- Be responsible for providing development opportunities and resources in line with organizational priorities and needs and with employees' growth plans
- Motivate employees to succeed by rewarding their accomplishments

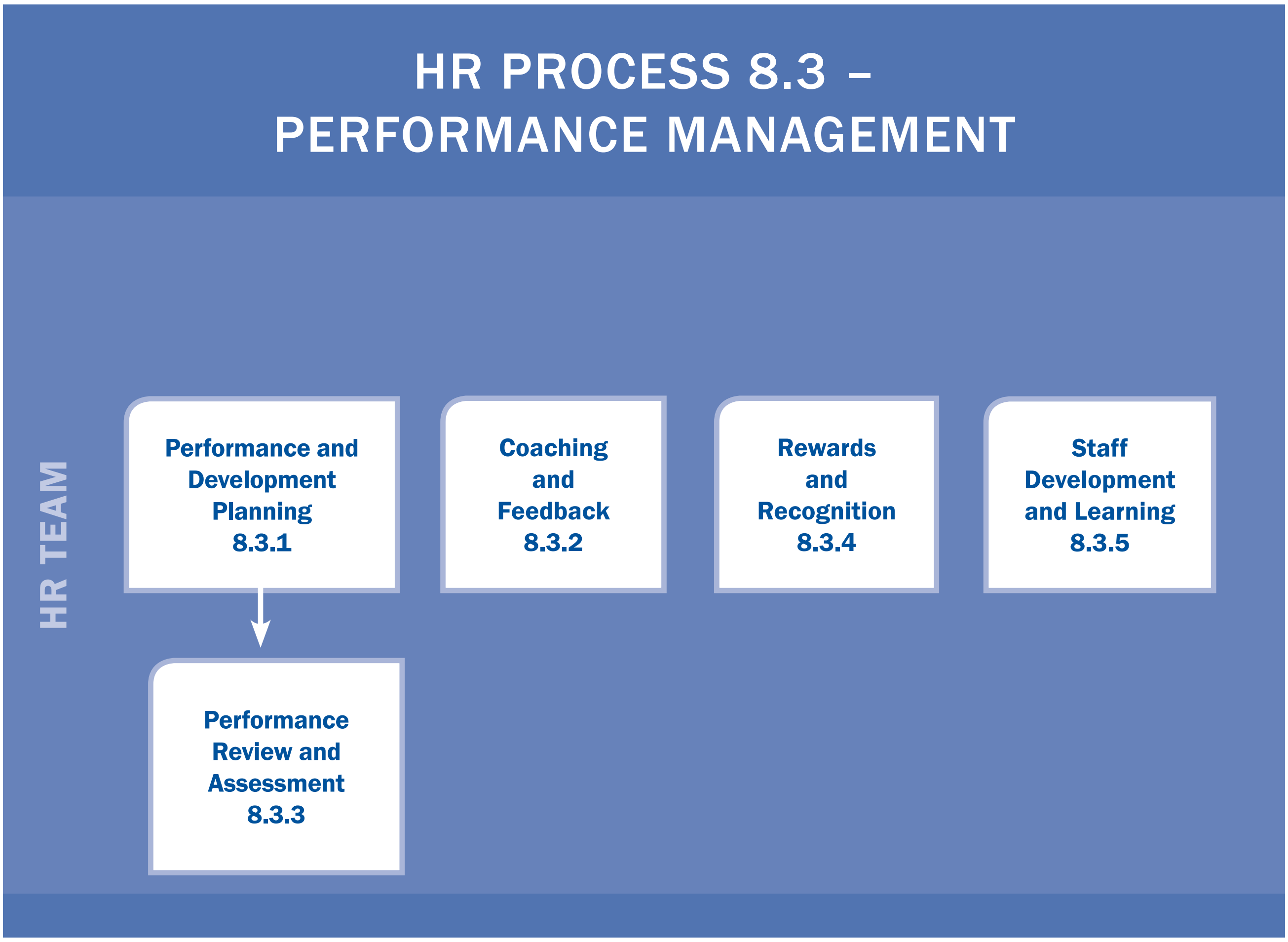
Employees are primarily accountable for how they perform on the job. Each employee's role in performance management includes the following:

- Proactively examine how his or her overall role relates to the objectives and action plans of their department/unit
- Be familiar with the behaviors that reflect the organization's mission and values
- Examine the knowledge and skill requirements for her or his role and performance targets
- Reflect on his or her achievements during the past performance period and define what strengths can be made stronger
- Reflect on her or his career goals and how they link to her or his current job and organizational needs
- Be accountable for honoring commitments made
- Be proactive in seeking feedback and assistance from his or her supervisor as needed

In order to be effective, a performance management system should include the following five components:

1. Performance and development planning
2. Coaching and feedback
3. Performance review and assessment
4. Rewards and recognition
5. Staff development and learning

PROCESS FLOW



STEP 8.3.1 – PERFORMANCE AND DEVELOPMENT PLANNING

STEP NAME	PERFORMANCE AND DEVELOPMENT PLANNING
Step Number	8.3.1
Inputs	The strategic objectives of the organization along with the vision, mission, and values statements. The department/unit (as applicable) objectives and annual action plans Job description Employee's performance results from the previous performance period Performance, development, and assessment form
Outputs	Employee's performance and development plan
Organizational Role	Employee Direct supervisor
Integration Points	Collaboration among various departments/units on setting objectives that contribute to achieving common targets/results
Summary	Performance and development planning assists the employee in understanding what must be accomplished during the performance period and how duties and responsibilities should be performed to best suit organizational needs and values. This process contributes to organizational success only when individual performance and development plans are aligned with the organization's mission, values, and annual work plans.

Performance and development planning is a collaborative effort between employees and their supervisors, as they are both accountable for the end results. The performance and development plan lists the performance and development objectives for each performance period. It clarifies expectations and sets standards for

- the *results* to be accomplished,
- the *knowledge and skills* to be acquired or improved, and
- the *behavior* best suited for the specific job responsibility and work environment.

MIKE SPINGLER/CRS

CRS partners working on a microfinance project in Cambodia.

Performance objectives

Performance objectives define the specific results an employee needs to accomplish during each performance cycle. The basis of the individual performance objectives is the strategic objectives of the organization along with the vision, mission, and values. These drive the department's/unit's (as applicable) objectives and annual action plans. Each employee's performance objectives should contribute to those plans.

Performance objectives are different from the duties and responsibilities of the employee outlined in her or his job description (please refer to ***Process 8.1***). The job description provides an overview of the employee's function, while performance objectives focus on the good, but long.fe examples be in an appendix? management process, to ensure compliance with the law,r law should be copriorities for each performance cycle. As such, they focus on end results for the particular performance cycle and not on detailed everyday activities.

Development objectives

Development objectives define the knowledge, skills, and attitudes an employee needs to fulfill the specific job requirements and complete her or his annual performance objectives. They may also be focused on acquiring knowledge, skills, and attitudes the employee needs for her or his future career goals. As such, those are sometimes defined as learning objectives. ***Step 8.3.5*** provides more information on how to manage the staff development and learning process.

The standard performance period is usually one year, which coincides with the annual reporting period within the organization. Performance and development plans can be set for a period of less than the standard performance period for employees who join the organization or get a new job assignment during the performance period.

The performance and development plan for the defined performance period is signed by both the employee and his or her direct supervisor and should be retained in the employee's personnel file. It is revisited during formal coaching sessions/meetings or as often as needed. For example, change in organizational priorities or a shift in the employee's scope of responsibilities may lead to changes in employees' performance and development plans. This plan will also serve as the basis for each employee's performance review and assessment at the end of the performance period.

Best practices show that it is not effective to expect employees to set more than four or five performance objectives and more than two or three development areas on which to focus during a performance cycle. Usually, achievement of development objectives requires a long period of time, so deadlines should be set carefully. Development needs learning and learning needs time.

In order to develop performance and development plans, employees and their direct supervisors should discuss and set performance and development objectives, taking into account the following:

- Organizational mission and values
- Annual department/unit objectives and action plans
- Job responsibilities as outlined in the job description
- Knowledge and skills required for the job
- Behaviors that reflect the organization's values and principle
- Employee's performance results from the previous performance cycle (please refer to ***Step 8.3.3***)
- Employee's career goals in comparison to organizational needs
- Available resources and opportunities for development and learning within the organization

Since performance and development objectives focus on end results, they are best defined in a quantifiable way to the extent this is possible. This makes it easier to measure results at the end of the performance cycle. Employees and supervisors should consider how the employee will express stated objectives and how the supervisor will evaluate achievements against those objectives. In other words, the objectives need to specify clear expectations with indicators to be used when assessing performance.

Performance and development objectives are most effective when expectations are SMART:

S	**Specific**	Help the employee understand exactly what is expected
M	**Measurable**	Help the employee and supervisor understand when the expectation is achieved
A	**Achievable**	Expectations should be realistic
R	**Results-oriented**	Expectations should focus on end results
T	**Time-bound**	Deadlines should be identified where applicable

The following is an example of a performance objective:

> "By the end of March <number> training sessions for <number> participants in <subject/sector/theme> are conducted within budget and are assessed by the participants as successful."

The performance objective above focuses on results and involves numerical measurements: *timeliness* (deadlines, dates), *cost* (budget constraints, limits), and *quantity* (how many). It also includes a quality indictor (*client satisfaction*).[9]

The following is an example of a development (learning) objective:

> "By the end of the performance period, enhance capacity to balance multiple functions and tasks. Read a time management book, complete an online course on setting clear priorities, and work with a mentor to develop these skills. The percentage of work completed on time will increase from XX to XX within the performance year."

The development objective above focuses on results (balance multiple tasks) and involves specific measurements: *actions* (book, course, mentoring) that are *achievable* and *time-bound* (percentage improvement within the performance period set by employee and supervisor).

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9 Gupta, D, Gupta, M, & Gurnani, H. C. (2006). *Are standards standard? Integration of goals & performance management.* Retrieved from http://www.indianmba.com/Faculty_Column/FC347/fc347.html

STEP 8.3.2 – COACHING AND FEEDBACK

STEP NAME	COACHING AND FEEDBACK
Step Number	8.3.2
Inputs	Job description Employee's performance and development plan Input from employee's colleagues and other stakeholders
Outputs	Documented dates of conducted formal coaching sessions on the employee's performance and development plan Revised performance and development plan, as needed
Organizational Role	Employee Direct supervisor
Integration Points	Direct supervisors should solicit input on the employee's performance from those who have regular direct working relationships with the employee, either within or outside of the employee's department/ unit. Depending on the employee's role, input may be solicited from external stakeholders such as partners, beneficiaries, or vendors.
Summary	The process of providing coaching and feedback is critical in management as it supports performance and personal development through an open, genuine dialog between the direct supervisor and the employee. This process provides opportunities to monitor employee performance and development plans, affirm good performance, identify potential performance problems, and examine how learning is applied to work.

Coaching is the activity of one person assisting another in developing her or his knowledge, skills, and attitudes. The coaching process provides employees and their supervisors with the opportunity to do the following:

- Reflect on overall job satisfaction, performance, development, and relationships
- Affirm good performance and relationships
- Address inadequate performance and relationships
- Examine how learning is being applied to work

Feedback is structured information that one person offers to another about the impact of his or her actions or behavior. It is a process of communicating what you experience, observe, think, and feel about certain aspects of the employee's performance. In this process, the giver and receiver of the feedback engage one other.

The benefits of an effective coaching and feedback process include the following:

- Enhanced performance
- Improved work environment and relations
- Increased job satisfaction
- Improved employee retention

To be effective, coaching and feedback should take into consideration various diversity factors such as culture, religion, ethnicity, and so on. Direct supervisors should use coaching to assist employees to do their jobs well. By recognizing the employee's strengths rather than focusing entirely on areas for improvement, direct supervisors will maintain employees' self-esteem.

The coaching and feedback process should be ongoing throughout the performance period. Ongoing coaching and feedback usually focuses on how employees perform their day-to-day activities and how they behave in their daily interactions with others. This ongoing process ensures that the employee is not surprised at the performance review and assessment at the end of the performance period.

In addition to the ongoing coaching and feedback, organizations should also mandate two to three formal coaching sessions at defined times during the performance period. Formal coaching sessions are used to monitor and discuss progress on overall performance and development plans and reflect on relationships between the employee and the direct supervisor as well as between the employee and other colleagues and stakeholders. They also provide the opportunity to revise performance and development plans, if needed, based on organizational needs/priorities and individual progress and capacities.

The coaching and feedback process is also used by the direct supervisor to initiate the development of a performance improvement plan in cases in which an employee consistently does not meet expected performance and/or behavioral standards. For details on the performance improvement plan, please refer to ***Step 8.3.3***.

For practical ideas about how to provide and receive feedback effectively, please refer to *Appendix D: Giving and Receiving Feedback*.

STEP 8.3.3 – PERFORMANCE REVIEW AND ASSESSMENT

STEP NAME	PERFORMANCE REVIEW AND ASSESSMENT
Step Number	8.3.3
Inputs	Employee's performance and development plan (performance, development, and assessment form) Input from employee's colleagues and other stakeholders
Outputs	Performance results Performance ratings Performance improvement plan
Organizational Role	Employee Direct supervisor Next-level supervisor
Integration Points	Communication among all supervisors in the organization on the meaning and use of performance ratings, so that they are applied consistently and employees are rated fairly and equitably
Summary	The performance review and assessment process determines individual performance results, which should be used to celebrate achievements, recognize professional development, and identify strengths as well as opportunities for improvement. Overall, it is used to motivate staff to enhance individual performance and thus contribute meaningfully to organizational excellence.

Performance review and assessment is a formal process through which the employee's work performance is reviewed and assessed at the end of the performance period. This process is used to determine performance results against the performance and development objectives set at the beginning of the performance period. Usually it takes the form of a discussion between a direct supervisor and an employee. In many organizations additional input is collected in various ways from each employee's colleagues (e.g., supervisees, the next-level manager, or peers) and other stakeholders (e.g., partners, beneficiaries, or vendors). The purpose is to identify strengths as well as opportunities for improvement and development.

The performance review and assessment works best when it is oriented to the future and not the past, i.e., when it is about improvement rather than blame. It should recognize the employee's accomplishments and assist him or her in performing more successfully over the new performance cycle.

Some organizations may choose to apply the performance review and assessment only to employees who have been with the organization for at least three to six months. Often, during the initial months on the job the employee is on probation or is still acquiring the knowledge and skills specific for the job. Additionally, the employee is still learning the organizational culture, mission, vision, and values. Of course, it is critical to conduct performance-coaching sessions during this initial period.

If an employee changes positions or supervisors during the performance period, her or his performance should be reviewed and assessed for the whole period by all supervisors, who should reach an agreement on the final performance results.

Performance Ratings

To provide for an objective and fair assessment of each employee's performance, it is strongly recommended that organizations use performance ratings. These are clearly defined measures of performance standards or criteria for successful performance. Performance ratings should be communicated to all employees and used consistently by all supervisors in performance review and assessment. Organizations usually set three to five performance ratings. (See *Appendix F: Sample Performance Ratings* for an example.)

Whenever an employee and her or his direct supervisor hold different views with regard to the employee's performance results, the next-level supervisor should be consulted to provide further input and make the final decision on the employee's performance rating.

Performance results and performance ratings should be documented and kept confidential in employees' personnel files. (Please refer to ***Process 8.1.***)

Use of Performance Results

Performance results are used to do the following:

- Determine reward outcomes, i.e., staff awards and performance-based pay increases such as merit increases or bonuses for the current job. (see ***Process 8.2***)
- Promote an employee to another position
- Identify staff development and learning needs (see ***Step 8.3.5***: Staff Development and Learning for more details)
- Identify the poorer performers, who may require coaching, mentoring, and/or learning to improve performance and/or behavioral standards that are not being met

- Make decisions to terminate employees who consistently do not meet performance and/or behavioral standards after they have been provided with coaching, mentoring, and/or learning opportunities (refer to *Appendix E: Unsatisfactory Performance Termination Checklist*, which can be used by direct supervisors to ensure adequate measures were taken before making a final decision for termination)

Performance Improvement Plan

When performance results show that an employee may require some form of coaching, mentoring, and/or learning to improve performance and/or behavioral standards that are not being met, the direct supervisor may initiate the development of a performance improvement plan. This plan is developed following a constructive discussion between the direct supervisor and the employee of the deficiencies in performance. It documents specific areas for improvement and describes what actions will be taken to improve or gain the knowledge, skills, and attitudes needed. This plan can be set at any time during the performance period based on ongoing monitoring and coaching, not only as a result of the annual performance review and assessment. The plan should cover a time period no longer than three to six months, during which time the supervisor will assist the employee in achieving set targets.

If the employee continues to miss or fall short of performance standards, the supervisor may take steps to initiate termination of employment. This step should be considered only after all performance improvement options have been explored. Local laws should be consulted to ensure that steps taken meet legal requirements.

DAVID SNYDER FOR CRS

Working through local partner Caritas Bangladesh, CRS has provided support for people who lost everything to Cyclone Sidr, which struck the country in 2007.

STEP 8.3.4 – REWARDS AND RECOGNITION

STEP NAME	REWARDS AND RECOGNITION
Step Number	8.3.4
Inputs	Monitoring of employee performance Performance results
Outputs	N/A
Organizational Role	Employees Direct supervisors Department/unit managers Head of organization
Integration Points	Communication among all staff in the organization is essential to having a clear understanding of how to reward and recognize individual and team performance
Summary	A rewards and recognition program is used to reward and recognize employees for exceptional efforts and accomplishments in serving their units and the organization in line with organizational mission and values. It establishes an environment in which employees feel valued. It motivates not only those rewarded but also others to achieve a better quality of work and higher productivity. It also results in stronger employee loyalty to the organization.

A rewards and recognition program is designed to recognize both individuals and teams for their performance results. This program is meant to reward and recognize employees for their exceptional efforts and accomplishments in serving their units and the organization in line with organizational mission and values. A rewards and recognition program establishes an environment in which employees feel valued. It motivates not only those rewarded but also others to achieve a better quality of work and higher productivity. It also drives organizational excellence and results in improved employee retention and stronger employee loyalty to the organization.

To be effective, the rewards and recognition program must be supported at all levels of the organization. Rewards and recognition must be distributed fairly and consistently and various types of accomplishments should be rewarded. They should not be used as substitutes for a competitive salary plan, supplies, support services, or development and learning activities.

The process for rewarding and recognizing staff accomplishments should be documented and communicated to all staff. This ensures transparency and fair and consistent treatment of all staff. This process will define what performance standards are rewarded and when, the types of awards and recognition mechanisms used in the organization, and how rewards and recognition are determined and communicated (e.g., who may nominate whom, who approves, who communicates and how). Receiving one type of award should not preclude an employee from being receiving other types of rewards as well.

Types of Rewards and Recognition

- *Ongoing positive feedback:* Providing specific, descriptive, positive feedback to praise staff for good work is a proven and effective performance management tool.
- *Pay for performance:* Please refer to ***Process 8.2***.
- *Length of service recognition:* Length of service milestones (e.g., five years of service, 10 years of service, etc.) recognize employees' dedication and contributions.
- *Promotion/career advancement:* Promotion is another way to recognize the exceptional work of employees who have proven they can take on higher-level responsibilities. (Please refer to ***Process 8.1***.)
- *Spot awards:* The most critical factor distinguishing this type of award from the others is that it is given soon after the accomplishment occurs in order to give timely recognition for a single outstanding achievement above and beyond normal duty.

In defining the types, organizations should consider both monetary and non-monetary awards. While monetary awards are important, employees value non-cash recognition as well. When monetary awards are provided, these should be clearly spelled out along with the cash limits.

Design

In designing a rewards and recognition program, organizations may consider the following factors:

- *Cultural context:* What is the culturally appropriate way to recognize one's achievements?
- *Local standards for value:* What is the minimum monetary price value that is considered of value in any given context?
- *Custom and religion:* These can dictate types of rewards, who can give rewards, and how they are delivered and by whom (e.g., an award ceremony, an organization's newsletter, a memo to all staff, an announcement on the office bulletin board).

- *Organizational mission, goals, culture:* What are the organizational standards of excellence to be awarded?
- *Teamwork:* When teamwork is a crucial element of a successful employee's performance, consider a mix of team and individual rewards.
- *Timing:* Some types of rewards might be distributed at defined intervals, others might not be linked to any specific time during the performance cycle and are awarded as needs arise.

It is beneficial to solicit employee input in the design of a rewards and recognition program via surveys, focus groups, or group meetings. This will ensure the program is meaningful to them and achieves its objectives.

STEP 8.3.5 – STAFF DEVELOPMENT AND LEARNING

STEP NAME	STAFF DEVELOPMENT AND LEARNING
Step Number	8.3.5
Inputs	Performance results Performance ratings Audit findings Learning needs assessment Performance gap analysis Staff development and learning budget* *A special budget is not needed for all types of staff development and learning. This step provides recommendations on staff development and learning activities that do not require specially designated funds.
Outputs	Staff development and learning plan
Organizational Role	Employees Direct supervisors Department/unit heads HR manager/designate
Integration Points	Collaboration among direct supervisors from various departments/units in ensuring staff development and learning resources, human and material, when a development and learning need can be addressed internally in the organization.
Summary	Staff development and learning is the PMS component concerned with various activities intended to support staff in meeting performance expectations and growing professionally. It also supports the organization in, over time, preparing someone to take a new position in the future. Monitoring and evaluating staff development and learning is important in determining whether the acquired learning has been applied in the job and in ensuring identified needs are met and development (learning) objectives have been achieved. When managed effectively, staff development and learning contributes to building, maintaining, and expanding institutional memory.

Staff development and learning encompasses various activities intended to support staff in meeting performance expectations and growing professionally. Organizations are more likely support staff development and learning activities when individual needs and goals are in line with those of the organization. As staff development and learning deals with a performance improvement need, it targets bridging performance gaps that can be classified as either current or potential. Current gaps call for addressing the organizational need to invest in a staff member for purposes of improving performance and development to contribute more effectively to achieving high organizational performance. Potential gaps call for addressing the organizational need to invest in a staff member for purposes of that member taking on a new job assignment (e.g., in cases of promotion and/or succession).

As staff development and learning have a major impact on the organizational success, supervisors and employees are held equally accountable for their effectiveness. Supervisors should provide staff with opportunities and resources to learn and grow; monitor results; and make sure systems are in place for capturing, sharing, and disseminating knowledge. Employees, including supervisors, should take initiative and responsibility for their own professional development and growth, take advantage of development and learning opportunities that best suit the organization's needs, effectively apply the knowledge and skills acquired, and be accountable to contribute to the institutional memory.

In order for staff development and learning to be effective and efficient, organizations should ensure the following:

- Staff development and learning is accessible to all employees, irrespective of position, hierarchy, age, and so on.
- In providing staff development and learning opportunities, accountability for return on investment and improved performance is everyone's responsibility.
- Systems are set to ensure employees stay with the organization for a certain period of time (defined by the organization) after being sponsored/funded by the organization to attend a learning or development opportunity.
- Staff development and learning requiretime and should not simply be shoehorned into a busy work schedule. There should be respect for the time needed, and for staff members to build that time into their regular work schedules with their direct supervisor's approval.

A systematic process should be followed if an organization would like to implement an effective staff development and learning system. The critical components of such a process are the following:

- Defining staff development and learning needs
- Defining the root causes of the performance gap
- Matching needs with an appropriate development and learning solution

- Monitoring and evaluating staff development and learning
- Setting a system for building, maintaining, and sharing institutional memory

Using this process, organizations are encouraged to develop a staff development and learning plan at the beginning of each reporting year. This plan should be compiled and updated as needed by the HR manager/designate and will contain information such as the type of staff development and learning activities to be undertaken, by whom, when, and how; the funding required, if any; and the people responsible for assisting/providing the activities.

Defining staff development and learning needs

The following methods are used to assist supervisors and staff in identifying gaps between current and required knowledge, skills, and attitudes (i.e., staff development and learning needs):

- Performance reviews and assessments (Refer to ***Step 8.3.3***)
- Audit findings
- Learning needs assessments

Defining the root causes of the performance gap

Once a performance gap is identified, it is not advisable to jump immediately to defining development and learning activities to be undertaken. It is essential to first analyze the root causes or the underlying issues of the gap, as not all performance gaps might be the result of a lack of adequate knowledge, skills, and attitudes. Not every gap needs to be addressed by staff development and learning activities. The following are examples of such gaps:

- A mismatch between the talents of an individual and the job (Can the staff member be moved to another position for which her/his knowledge, skills, and attitudes are better suited?)
- Lack of clarity with regard to the business process (Can the business process be clarified or simplified? Is there a need to develop a tool to aid that process?)
- Failure to provide staff with the resources needed to perform the job well (Does the staff member not have access to proper equipment or software? Are there other resources that would help the staff member?)
- Lack of clear distribution of roles and responsibilities (Do staff members complain that certain roles are overlooked?)

This step is usually referred to as a *performance gap analysis*. Supervisors use it in determining whether staff development and learning is the solution to the performance gap(s) identified or other actions should be taken to address the issue.

Matching needs with an appropriate development and learning solution

If the performance gap analysis leads to the conclusion that the gap is the result of lack of adequate knowledge, skills, and/or attitudes, careful attention must be paid to selecting the appropriate development and learning solution. A direct supervisor and an employee can discuss and choose from many options, including the following:

- Self-study
- On-the-job coaching and mentoring
- Job shadowing: observing another employee's day-to-day activities
- Job rotation: performing a different job at the same level
- Acting as a member of a committee
- Attending meetings and conferences
- Study tours (exchange visits)
- Training sessions

Formal training is not the answer for everything and not all development and learning activities require resources in addition to what has already been budgeted for salaries and regular unit or project activities. Lack of budget should not be a constraint in meeting critical learning needs; rather, it should challenge both management and staff to be more creative in making learning a continuous process using available resources and the various options defined above. By all means, staff development and learning is an investment and should be considered with both short- and long-term impact in mind.

When staff development and learning require funding, as in the event of attending a conference, going on a study tour, or participating in a training course, there should be a transparent process for allocating these funds. This process sets criteria for the type of learning opportunities to be sponsored and ceilings on spending. It may require employees to formally apply for access to staff development and learning funds and justify their needs. It clarifies considerations for selection and sets requirements for the sponsored employee to remain with the organization for at least a certain period of time. The process also defines how funds are requested, approved, and accounted for. It may specify a requirement for return of funds if the sponsored employee leaves the organization prior to the expiration of the required period of time.

Monitoring and evaluating staff development and learning

This process provides evidence to the direct supervisor that the identified needs have been met and development or learning objectives have been achieved. It also assists the organization in assessing return on investment. The organization has invested resources (human, material, and financial) in enhancing employee knowledge, skills, and attitudes. To benefit the organization, employees need to bring the new and/or improved knowledge and skills to the workplace.

As development takes time to bear fruit, it is not sufficient to evaluate the knowledge and skills acquired at the end of the learning activity. Organizations must also evaluate whether the person applied the learning in her/his job. The performance review and assessment process and the coaching and feedback process outlined in ***Step 8.3.2*** and ***Step 8.3.3*** will assist the organization to do that. These help define what changes have taken place as a result of the learning: Is the employee performing at the expected standards? Does she or he behave according to organizational values? How does the employee's performance affect the achievement of organizational strategic and annual plans?

In order for application of learning to be effective, the following must be true:

- Employees are provided the opportunity and time to test new learning and skills on the job.
- Creativity and innovation are not punished.
- Resources such as equipment and Internet access are provided.
- Managers ensure the whole team understands the need for and benefits of sharing knowledge.

Setting a system for building, maintaining, and sharing institutional memory

Last but not least, organizations must set systems for building, maintaining, and sharing institutional memory. Institutional memory is the organization's collective set of information and experience. Knowledge is an asset that must be captured, preserved, and used by the organization. This will ensure that the investment in individual staff development and learning is not lost when people leave the organization, and will help the organization operate successfully in the future.

Systems and mechanisms that contribute to building, maintaining, and sharing institutional memory include the following:

- Folders (paper and/or electronic) with materials and documents received at various learning events, available to all staff

- Communities of practice
- Debriefing colleagues or making a presentation on the purpose and key learning points relevant to others after a staff member attends a learning event
- Documenting key learning points in a report
- Writing a case study
- Preparing a trip report referencing learning points most relevant to the employee’s work or ideas that he or she would like to implement.

HR BUSINESS PROCESS 8.4 – EMPLOYEE RELATIONS

PROCESS DESCRIPTION

Employee relations is an area of HR that focuses on improving relationships between the employer and the employee and providing them the opportunity to communicate openly. Organizations are responsible to ensure that the workplace is a positive and just environment. Organizations must therefore institute mechanisms for employees to express their needs and to ensure that their rights are protected. By ensuring that employee relations practices are in place, the organization can more proactively and expeditiously address difficult problems in the working environment, such as grievances, staff morale, and poor relationships among staff.

A policy alone will not create a positive or just work environment; communication about the policy and enforcement of the policy ensures a high standard for behavior. After communicating the code of conduct to employees, obtain a signed copy from each employee at time of hire and keep that signed copy in the employee's personnel file. All reports of code of conduct violation must be investigated in a timely manner.

Some of the benefits of establishing employee relations practices include the following:

- All employees are treated fairly and equitably
- Staff are more easily retained if the workplace environment is positive
- Lower risk that the organization will be sued
- Lower risk that the organization's reputation will be damaged
- Fulfillment of moral and ethical responsibilities to employees
- Open lines of communication so that problems can be addressed before they reach a critical stage

Strong HR systems include proactive employee relations measures. This chapter will encourage the organization to do the following:

- Establish a code of conduct to create a positive work environment
- Monitor staff satisfaction and engagement, taking action as appropriate
- Address conflict between staff members in a timely neutral manner
- Ensure mechanisms for representing and protecting employee rights
- Ensure confidentiality
- Follow HR policies consistently

PROCESS FLOW

HR PROCESS 8.4 – EMPLOYEE RELATIONS

HR TEAM

Establish a Code of Conduct 8.4.1	Monitor Staff Satisfaction 8.4.2	Address Conflicts Between Staff Members 8.4.3	Ensure Mechanisms for Representing and Protecting Employee Rights 8.4.4	Ensure Confidentiality 8.4.5

STEP 8.4.1 – ESTABLISH A CODE OF CONDUCT

STEP NAME	ESTABLISH A CODE OF CONDUCT
Step Number	8.4.1
Inputs	Local law Organizational mission and values
Outputs	A well-communicated code of conduct
Organizational Role	HR manager/designate Head of organization
Integration Points	Finance department/unit Procurement Compliance Governance – board of directors
Summary	To clearly communicate expected behaviors for all employees, organizations should institute a policy that protects the rights of staff, beneficiaries, and other stakeholders. This policy is called a code of conduct. This code will include a section on conflict of interest. The code of conduct creates a standard that is consistent with the values of an organization and is always created in accordance with local law.

Reasons to establish a code of conduct include the following:

- Clarifies what behavior is expected from all staff
- Provides a basis on which to hold staff members accountable for their behavior
- Protects the organization in case of an individual employee's misconduct
- May be required by an organization's board of directors or local law
- Fulfills the organization's obligation to protect the rights of employees, steward the resources of the organization, and uphold the reputation of the organization

Topics covered in an organization's code of conduct may include the following:

- Embezzlement/fraud (to improperly appropriate money or property for one's own use, including the misapplication of funds, mishandling of cash, and bookkeeping errors)
- Falsification of contracts, reports, or records (including altering, fabricating, falsifying, or forging all or any parts of a document, contract, or record)

RICK D'ELIA FOR CRS

It is common for family and community members to join forces to quickly accomplish a needed task on each others' farms.

- Improper supplier or contractor activity (including an improper negotiation or diversion or illegal activity with respect to supplier or contractor awards)
- Theft
- Harassment (sexual or otherwise), discrimination, physical or verbal abuse, intimidation, favoritism, or exploitative sexual relations
- Inappropriate use of resources (including use of organization or donated resources such as cash, food, commodities, or materials for purposes other than those for which they have been intended)
- Gifts and solicitations
- Other illegal or criminal use of organization property or assets
- Kickbacks, bribery, or the pay or giving of anything of value to a government official directly or indirectly for the purpose of securing an improper advantage
- A conflict of interest section, if it is in the interest of the organization, dictating that no employee take any action or make any statement intended to influence the action of another, including donors and beneficiaries, to benefit the private interest of the employee or the employee's family members, rather than the interest of the organization. (Please see *Appendix H* for examples of what might be included in a conflict of interest statement.)

For employees in specific job functions such as accounting, auditing, and procurement an addendum to the code of conduct may be needed as follows:

Accounting and Auditing

The following inclusions may apply:

- Fraud or deliberate error in the preparation, evaluation, review, or audit of any financial statement of the organization
- Fraud or deliberate error in the recording and maintaining of financial records
- Deficiencies in compliance with the organization's internal accounting controls
- Misrepresentation or false statements to or by a senior officer, employee, or accountant regarding a matter contained in financial records, financial reports, or audit reports
- Deviations from full and fair reporting of the organization's financial position
- Any fraud or violation of law relating to acts of financial misconduct

Procurement

Some organizations may want a specific code of conduct for staff who work in the area of procurement.

Reports of violation

Reports of actions that violate the standards described in the code of conduct policy are serious and must be addressed in a timely manner. Violations of the code of conduct will require disciplinary action. See ***Step 8.4.4*** for more details.

STEP 8.4.2 – MONITOR STAFF SATISFACTION

STEP NAME	MONITOR STAFF SATISFACTION
Step Number	8.4.2
Inputs	Employee feedback Survey and interview data
Outputs	Survey and interview data analysis
Organizational Role	Survey and interview data analysis
Integration Points	Governance – board of directors
Summary	A strong HR system is intentional about listening to staff. There are several methods the organization may use to monitor staff satisfaction. In order to maintain transparency, the HR department/unit should let staff know that it hears them and build confidence that any issues raised will be addressed, outcomes will be shared, and next steps will be communicated.

Employees want to work in a positive environment in which they are part of an effective team successfully reaching their objectives. Over time, obstacles may develop, creating different dynamics in the workplace. In order for the organization to address these issues, leaders must first know they exist.

Monitoring staff satisfaction is not only the responsibility of HR; managers and all staff have a responsibility to participate in creating a positive environment. These methods of gathering information do not replace the practice of managers and employees being approachable and available to one another on a daily basis.

There are several ways to solicit information from employees to identify if there are any issues that should be addressed, including the following:

- Many organizations conduct an annual survey of employee satisfaction and engagement.
- Organizations may also interview staff members who are leaving, asking them to share their experiences as employees. For details on exit interviews please see ***Process 8.6***.
- Organizations may work with employee representatives through internal committees, associations, or unions.

Regardless of what method the organization uses to gather information, state that the organization strives to be a better environment for staff and that the information will be used for this purpose. Share how the information will be used and to what extent it will be kept confidential. Be careful not to raise expectations that cannot be met.

Though gathering the information is a positive step it will not make a difference unless further action is taken. Consider carefully what staff are sharing. Disclose an overview of general ideas with decision makers, keeping specific comments confidential. Involve leaders and staff in any resulting action steps. Share the outcome and steps with staff to demonstrate the organization is responding to their concerns.

STEP 8.4.3 –ADDRESS CONFLICT BETWEEN STAFF MEMBERS

STEP NAME	ADDRESS CONFLICT BETWEEN STAFF MEMBERS
Step Number	8.4.3
Inputs	Employee conflict
Outputs	Mediation Arbitration
Organizational Role	HR manager/designate
Integration Points	Governance
Summary	When an employee approaches organizational leadership to identify a conflict there are several types of constructive outlets including mediation and arbitration. At a minimum, careful listening is important.

Conflict is inevitable when individuals work closely together over a long period of time. This can be exacerbated when individuals have different cultures or are at different levels of management, and during times of intense work or uncertainty. The organization must support employees in addressing their conflicts in an effective way.

When an employee approaches organizational leadership to identify a conflict there are several types of constructive reactions. At a minimum, careful listening is important. During such an interaction, keep in mind the following guidelines:

- Be supportive but remain neutral after hearing only one side of the situation.
- Affirm the person but avoid agreeing with him or her about specific complaints.
- Ask the person if he or she would like further assistance.
- Mention that action may involve disclosure of some of the sensitive information that was shared.
- Be clear about whether or not the leader has consent of the individual to disclose information with others.

Mediation

If requested, it may be appropriate to provide mediation to the staff members who are in conflict. A mediator role does not involve judging between two people. Instead, the HR staff member facilitates a discussion between the staff members who are in conflict in order to come to greater understanding and to agree to work together to come to a positive resolution.

Arbitration

Alternatively, arbitration can be set up for the parties in conflict. Arbitration involves a neutral party who hears both sides of a conflict and decides what action must be taken. Decisions made in arbitration are binding. Arbitration is often used in workplaces with unions.

RICHARD LORD FOR CRS

At a clinic in Cambodia, a community health worker talks to an expectant mother about safe labor and delivery.

STEP 8.4.4 –ENSURE MECHANISMS FOR REPRESENTING AND PROTECTING EMPLOYER AND EMPLOYEE RIGHTS

STEP NAME	ENSURE MECHANISMS FOR REPRESENTING AND PROTECTING EMPLOYER AND EMPLOYEE RIGHTS
Step Number	8.4.4
Inputs	Employee reports of policy violation Employee grievances Audit report
Outputs	N/A
Organizational Role	HR manager/designate Head of organization
Integration Points	Compliance Finance department/unit Governance
Summary	The organization should implement communication mechanisms that will allow everyone to share information openly. The rights of employees should be protected from possible retaliation should one file a grievance or report a violation of policy such as the code of conduct. By having a process in place for receiving grievances and reports of policy violation, the organization has a means to resolve differences and protect each employee's rights.

If an employee accuses another staff member of misconduct such as sexual harassment, threats, or fraud, the HR department is obligated to investigate. Create a comprehensive process for investigations for accusations of harassment, threats, and other actions covered in the code of conduct policy. Make every effort to stay neutral when conducting an investigation. Consider carefully who will lead the investigation. Local laws will regulate whether it is legal to suspend an employee with pay when an investigation is being conducted. Conducting an investigation in a timely way after the accusation has been reported is key. If the process results in progressive discipline that leads to termination, steps are explained in ***Process 8.6***. Remember to maintain confidentiality during and after the investigation, which is discussed in the next section.

The following are among the best practices to ensure protection of an employee who files a grievance:

- To the fullest extent possible, the identity of the employee who files the grievance will be kept confidential.

- Do not discharge, demote, suspend, threaten, harass, or discriminate against any individual for making a report in good faith under a policy of the organization.
- Reports shall be deemed made in good faith if the individual had reasonable grounds to believe or suspect misconduct, even if the belief or suspicion later proves to be unsubstantiated.
- If a conflict cannot be resolved informally, the employee will submit a formal grievance statement and file it with the organization directly or with a representative of the employee. Organizational leaders will consider the statement and depending on the situation will either hear from each of the parties involved or conduct an investigation.
- Document actions the organization takes as well as the statements of each party involved.
- Once information has been gathered, the organization makes a decision as to what action, if any, will be taken and informs the employee who filed the grievance of the outcome.
- There should be an appeal process in place if the employee is not satisfied with the outcome of the grievance process.
- Be sure that the organization has a policy outlining a process that is in compliance with local law.

Discipline

Sometimes a grievance or report of policy violation and the resulting investigation will lead to disciplinary action. Supervisors use progressive discipline, a "system of increasingly severe penalties for employee discipline."[10] This typically involves verbal and written communication to the employee regarding the behavior that must be addressed. It clearly warns the employee of the consequences if the employee fails to make changes. Local law may dictate the steps that must be followed and the circumstances that may lead to termination, so confirm requirements for the organization.

10 Bliss, W., Gamlem, C., Keary, D., Kushner, G., Losey, M., Outwater, L., ...White, C. (2009) The SHRM Learning System (2009 ed., vols. 1-6).

STEP 8.4.5 – ENSURE CONFIDENTIALITY

STEP NAME	ENSURE CONFIDENTIALITY
Step Number	8.4.5
Inputs	Local law The organization’s definition of confidential information
Outputs	Confidentiality policy
Organizational Role	HR manager/designate Finance
Integration Points	Compliance Finance department/unit Governance
Summary	By defining confidential information for the organization, instituting a confidentiality policy, and restricting access to confidential information, the organization can avoid potential conflict and violation of local law concerning disclosure of information.

The organization may be legally required to maintain the confidentiality of certain types of employee information.

The following are among the reasons for protecting confidential information:

- Avoid embarrassing incident and potential conflict
- The organization and HR staff may be required by law
- The employee may take legal actions against the employer

First, define what is confidential information for the organization so that employees understand what they need to protect. Examples of confidential information may include salary, birth date, performance review details, and medical status. Some information is not specifically confidential but is best to keep private and the policy may include this as well. This information is often called *sensitive* information and may include religion or political party. The difference between confidential and sensitive information will vary by country due to both culture and local laws.

Second, institute a confidentiality policy for staff to sign. As with all policies, be sure to follow local laws. Drafting a policy is not enough. Before employees sign the policy, explain why the organization established the policy. For staff members who handle confidential information on a regular basis, periodically remind them of the organization’s expectations and encourage them to ask questions that may arise as they conduct their responsibilities. (For an example of a confidentiality policy, please see *Appendix G*.)

Third, restrict access to confidential information. Now that the organization has identified what information is confidential, consider where this information is both processed and stored. Put measures in place to secure this information. Typically, organizations lock employee files and limit which employees have access to those files. Remember that electronic files and email may also contain confidential information.

Staff members with HR responsibilities have access to confidential information on a daily basis. Ask staff to follow the following best practices each time when stepping away from their desks:

- Put away and lock confidential files
- Put away or cover any sensitive information on the desk
- Password protect computers and set short idle periods

HR BUSINESS PROCESS 8.5 – STAFF CARE AND SAFETY

PROCESS DESCRIPTION

Safety and security, staff care, and risk management are linked and may be defined as the following:

- *Safety and Security***:** Policies and procedures based on local laws and best practices, designed to eliminate death, injury, or illnesses from occurring in the workplace or during the performance of work duties off-site and to secure and protect all tangible and intangible assets of the organization.
- *Staff Care:* Self-care techniques and institutional responses to stress among employees in particularly difficult or stressful environments.
- *Risk Management:* The identification, assessment, and prioritization of risks followed by actions to minimize, monitor, and control the probability and/or impact of those risks.

The benefits of safety, security, risk management, and staff care include the following:

- Employees at all levels who perform their duties without fear of harm are more productive and have greater retention than those worried for their safety.
- Policies and procedures protect the organization in times of crisis by avoiding wasted effort, lessening the impact of the event.
- Protecting staff and property from harm reduces the risk that the organization will be sued after an event.
- Positive perception of the organization’s commitment to staff and property enhances its reputation with the public, donors, government, and potential employees.
- Protecting the assets of the organization contributes to its long-term sustainability.
- Finally, and most importantly, the people who work for the organization are not just employees. They are fellow citizens, family members, and friends. Protecting their health and safety is a moral obligation.

The following guidelines allow the HR department/unit to determine the appropriate roles and responsibilities of employees, management, and of the organization in maintaining safety and security. In order to have access to all the information needed to develop and implement safety, security, risk management, and staff care policies and procedures, the HR department/unit must work collaboratively across the organization.

Important Considerations

National labor and occupational safety law

The first responsibility of the organization is to review and immediately adopt all relevant national and local laws pertaining to the safety and security of employees and of the workplace. Many governments provide checklists or will help conduct an organizational audit (investigation) for health and safety. Alternatively, an organization may engage an occupational health consultant.

No practices in this chapter should be adopted without first reviewing all relevant national and local laws pertaining to the safety and security of employees and of the workplace.

Many HR departments/units create a task force composed of staff and management from across the organization. This task force helps to do the following:

- Develop policies and procedures for safety, security, risk management, and staff care
- Design and conduct staff training
- Prepare for the annual organizational safety and security audit
- Confirm compliance with the requirements of national and local laws
- Communicate to management and the board of directors recommendations for improvements

In particular, the HR department/unit is charged with developing and enforcing staff policies and procedures for safety and security.

PROCESS FLOW

HR PROCESS 8.5 – STAFF CARE AND SAFETY

HR TEAM

- Safety and Security 8.5.1
- Staff Care 8.5.2
- Risk Management 8.5.3

STEP 8.5.1 – SAFETY AND SECURITY

STEP NAME	SAFETY AND SECURITY
Step Number	8.5.1
Inputs	Establishing appropriate security policies based on risk assessment
Outputs	Safety and security plan including standard operating procedures, contingency plans and supporting information
Organizational Role	HR manager/designate manages the plan Security officer/designate implements and maintains the plan Head of organization/designate monitors the plan
Integration Points	Finance department/unit Governance
Summary	In order to provide a safe and healthy working environment, the organization should implement safety and security systems that will protect an organization from liabilities.

Establishing appropriate security policies based on risk assessment
While the responsibility for maintaining safety and security is shared by staff throughout the organization, HR often plays a lead role in ensuring that risks are mitigated in the work environment. Safety and security policies must be rooted in the organization's mission and guiding principles and should contain clearly defined expectations for staff. Indentifying safety priorities and security policies as well as the potential risks an organization might face is fundamental in developing a successful plan.

Some basic priorities to be considered are:

- The physical and mental well being of staff
- Minimizing or eliminating potential risk to staff and organizational property
- Recommencing operations in a safe and timely manner after an incident
- The media and community image of the organization

Although each organization will face its own unique risks, the following is a list of risks that may be relevant:

- Travel risks (due to poor roads and vehicle conditions, hazardous traffic or civil unrest)

- Physical/sexual assault
- Health risks (due to disease or poor sanitation)
- Dangers to the organization's image in the media or local community
- War/civil unrest conditions
- Unsafe building sites
- Fires
- Kidnapping

After indentifying both priorities and risks it is prudent to assess the organization's resources before the creation of a safety and security plan. Below is a list of possible resources that the organization may already access:

- Security officers/armed guards
- Local governing authorities
- Communication devices such as walkie-talkies, radios
- Reputable drivers
- Policies and checklists
- First aid kits, flares

Writing a Safety and Security Plan

The three main sections of a comprehensive safety and security plan are: standard operating procedures, contingency plans and supporting information.

Standard Operating Procedures

Standard operating procedures outline the way the organization conducts its daily operations: who is responsible for what tasks, the manner in which tasks should be completed, constraints on undesirable behavior, and where and in what time frame tasks are to be completed.

Contingency Plans

Contingency plans outline the course of action for atypical operations of the organization. Although it is impossible to predict all potential situations that might arise, it is a good idea to identify as many as possible and develop contingency plans for them. Clear and comprehensive contingency plans are vital to an organization's smooth operation--when crises arise they often require an immediate and multifaceted response involving multiple staff. Contingency plans should contain the same who, what, where, and when as the standard operating procedures, but clear chains of communication and back-up procedures should be put in place.

Successful contingency plans develop teams of staff members for emergency evacuations. Employees are usually grouped according to the area in which they work. Each team is appointed a leader to ensure the safety of the team during emergency situations. This model is sometimes referred to as the warden system. Sometimes, other team members are selected to play supporting roles to the leader, or to take his/her place in the event of an absence. It is important to ensure that at least two people on each team have emergency first aid training.

Supporting Information

Supporting information is the supporting documentation for the standard operating procedures and the contingency plans. The following are some examples of things one might use as supporting information to a contingency plan:

- Incident reporting forms
- Map of evacuation routes with reunion points
- Emergency contact information for staff
- List of reliable drivers for transportation
- Contact information for local authorities,
- Inventory of emergency supplies
- Security briefing checklist

Maintaining an updated Safety and Security Plan

A safety and security plan is only effective if it is readily accessible to staff, updated on a regular basis, and presented to and practiced by staff. Keeping a safety and security plan online allows staff members to access it at will, and allows for changes to be made to the policies without waste. However, if many staff members do not have access to the Internet, or if regular power outages make internet access unreliable, it is wise to have some print copies of the safety and security plan available.

As events occur the organization's policies and procedures should be reviewed, evaluated and changed, if necessary. Staff should be made aware of changes and should practice emergency procedures on a regular basis.

SEAN SPRAGUE FOR CRS

Members of a micro-credit savings club dancing near Bembereke, Benin.

STEP 8.5.2 – STAFF CARE

STEP NAME	STAFF CARE
Step Number	8.5.2
Inputs	Local labor laws/acts on staff care Local labor environment assessment on staff care
Outputs	Staff care program and policy that will govern the staff care aspect of employment in the organization
Organizational Role	HR manager/designate manages and maintains the plan Head of organization/designate monitors the plan
Integration Points	Finance department/unit Governance
Summary	Staff care is an important concept that should be put in place in the form of a policy ensuring well-being of the organization's staff.

Staff care programs exist to provide physical, mental, and emotional health support to the organization's employees.

The following is a simple step-by-step planning process used to increase the success of any staff care program in an organization:

1. Identifying the need for the program.
    - **Consider** flexible work hours, workplace safety, improved working conditions, nursing mothers, employees with a handicap, HIV in the workplace, others eligible for special accommodations
    - **Protect** against sexual discrimination; child labor; physical or verbal abuse; harassment based on race, religion, national origin, ethnicity, or physical ability; smoking; drinking; etc.
2. Assess employee needs and interests
3. Define a timeline and budget
4. Design the program
5. Submit it to the board for approval and implement
6. Assess and update the policies as necessary

STEP 8.5.3 – RISK MANAGEMENT

STEP NAME	RISK MANAGEMENT
Step Number	8.5.5
Inputs	Local labor laws Other applicable laws
Outputs	Annual risk assessment Risk tracking schedule
Organizational Role	Finance department/unit and HR managers/designates manage and maintain the plan Head of organization/designate monitors the plan
Integration Points	Finance department/unit HR managers/designates Program department/unit managers
Summary	Identification, assessment, and prioritization of risks followed by coordinated and economical application of resources to minimize, monitor, and control the probability and/or impact of unfortunate events and/or to maximize the realization of opportunities is a vital aspect of HR in an organization.

HR risks vary depending on the type of organization; its HR management structures, processes, policies, and procedures; and the country and applicable local labor and other laws. The following are some HR risk examples:

- Unfair labor practice claim
- Unaccounted late taxes that the organization is responsible for collecting on employees' behalf and paying to the government
- HR actions taken by an organization based on HR policy/procedure that do not comply with local labor laws

HR risk management may differ from organization to organization. The following is an example of an HR risk management system:

1. Identification of existing or potential HR risk
2. Analysis of existing or potential HR risk
3. Development of existing or potential HR risk handling models such as the following:
    - Avoid the risk
    - Accept the risk for a reason (e.g., organization reputation issue,

importance of the activity to the organization no matter what the risk would be, or insignificance of the risk)

- Outsource/transfer the risk (e.g., rather than owning motor vehicles, outsource to transport companies to avoid risk of damage, injuries, or death)
- Apply/resolve (assign responsible people a clearly outlined plan to resolve and close the risk)

4. Assess and monitor implementation at least on an annual basis. Restrategize risk handling models from Section 3 above as appropriate.

HR BUSINESS PROCESS 8.6 – SEPARATIONS

PROCESS DESCRIPTION

To manage employee separations, an organization must establish policies and procedures for managing the risks involved (e.g., conflict, legal action due to non adherence to the labor laws/employment policy).

The benefits of establishing separations procedures include the following:

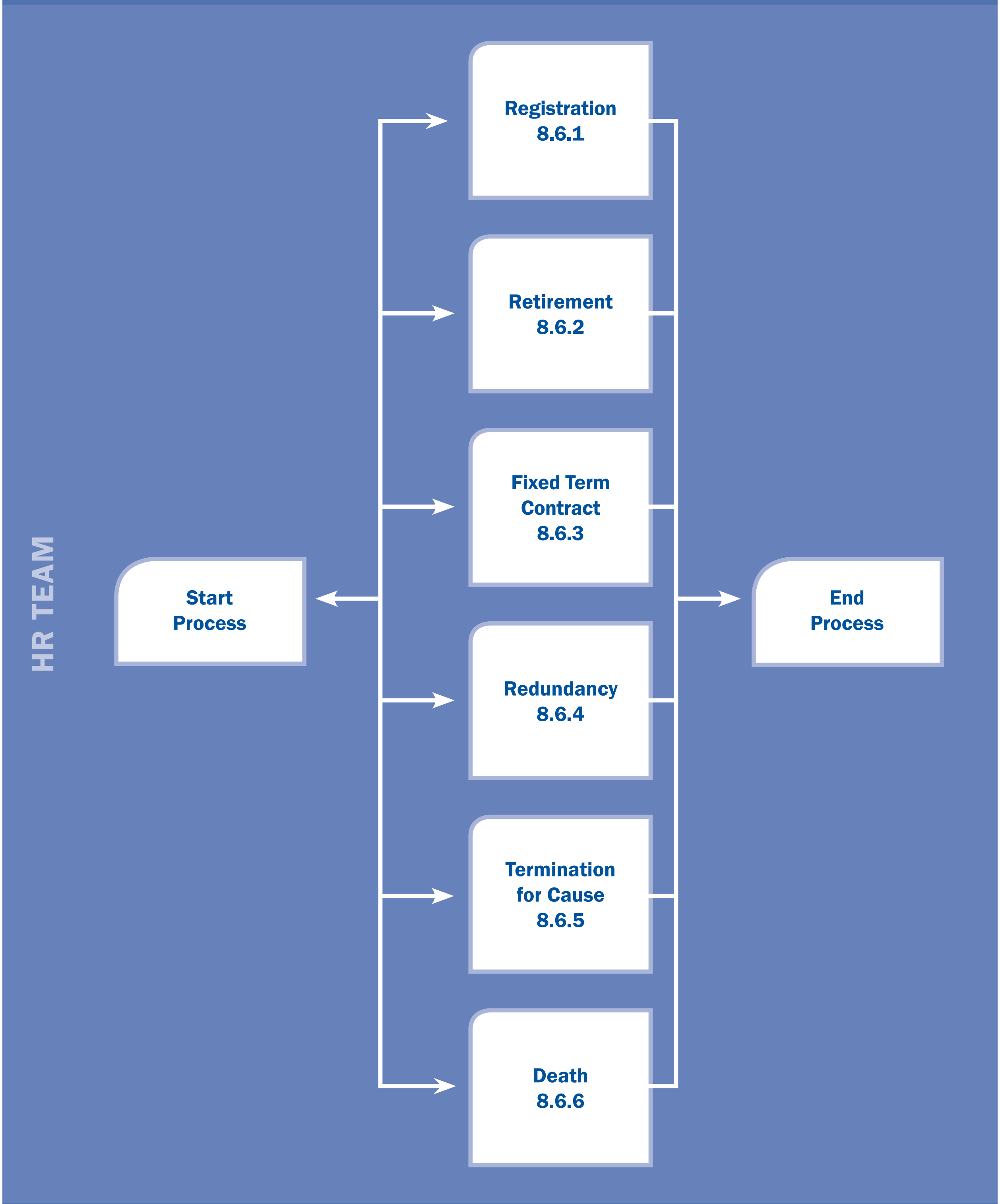
- Ensure the organization adheres to local laws, lowering the risk of staff taking legal action
- Ensure that a separating staff member is aware of his or her obligations and rights
- Ensure staff members are treated fairly at the point of separation
- Enhance possibility of rehiring the same staff member if her or his services are needed in the future
- Lower the risk of the separation process having negative impact on the organization's reputation and staff morale
- Establish and define the different types of separations and the separation clearance process
- Define benefits payable to separating staff
- Define the balances of accounts receivable of the employee and recover from final dues
- Promote fairness when dealing with staff separations

Important considerations applicable to all steps include the following:

- Except in the event of death, all employees are required to complete a handover note as per the termination/clearance checklist. The handover note section of the termination/clearance checklist can be customized based on the nature of the job.
- Except in the event of death or termination for cause, the organization should conduct a face-to-face or written exit interview. The aim of the interview is to gather information from the exiting staff member on areas such as conditions of employment, working environment, and staff relations.

PROCESS FLOW

HR PROCESS 8.6 – SEPARATIONS



STEP 8.6.1 – RESIGNATION

STEP NAME	RESIGNATION
Step Number	8.6.1
Inputs	Resignation letter Local labor laws Interaction with employee Exit interview Payment of final dues Termination/clearance checklist
Outputs	Efficient and effective management of resignations
Organizational Role	HR manager/designate manages in consultation with direct supervisor Department/unit head Resigning employee Head of organization/designate monitors
Integration Points	Program management Finance department/unit Governance
Summary	When an employee gives notice of resignation, the employer and employee should communicate clearly regarding the specifics of the resignation as well as what the organization will offer the employee upon separation. The employer should provide a written acknowledgement of the resignation, including all pertinent details.

Resignation is a willful and deliberate decision by the employee to leave employment with or without giving reasons.[11] It is expected that the employee will give written notice of his or her intention to resign indicating the expected last day of work. Usually local labor laws specify the required notice period; employees should follow this.

Once the notice is received, take the following actions:

- Where practical, the employer should meet with the employee and discuss the resignation including reason for resignation, mutually agreed-upon last work day, benefits due, clearance, and handover process.

11 Catholic Relief Services. (2010). *CRS Institutional Capacity Development Tools for Local Partners, Human Resource Policies and Procedures.* Unpublished Manuscript.

- The employer should acknowledge the resignation in writing, indicating the last working day, benefits payable, clearance, and the handover process.

Following the resignation, the staff member is entitled to payment of the following:

- Salary up to last work day
- Separation benefits as defined by local laws and organizational policies
- Information on how leave accrued and not taken will be compensated
- Certificate of service/letter of recommendation (as per local laws)

STEP 8.6.2 – RETIREMENT

STEP NAME	RETIREMENT
Step Number	8.6.2
Inputs	HR policy on retirement Local labor laws Payment of final dues Termination/clearance checklist
Outputs	Efficient and effective management of retirement
Organizational Role	HR manager/designate manages in consultation with direct supervisor Department/unit head Retiring employee Head of organization/designate monitors
Integration Points	Program management Finance department/unit Governance
Summary	When creating HR policies, employers should base retirement and early retirement ages on local labor laws. The employer and employee should communicate clearly regarding what the organization will offer the employee upon separation.

Organizations determine an age after which an employee ceases to work on the basis of retirement. This is guided by the local labor laws and the organization's HR policy on retirement.

In some cases, early retirement can be applied. Where applicable, it must be in line with local laws and circumstances must be clearly defined. Organizations may allow early retirement on medical grounds, meaning a staff member is allowed to access retirement benefits in the event that she or he is unable to work due to long-term illness or injury.

The last working day should be in line with provisions of local labor laws and HR policy on retirement.

Other issues to consider and communicate are whether or not the organization plans to hire post-retirement employees and the circumstances and status of any retirement benefits they are receiving when rehired.

Retired employees will be entitled to payment of the following:

- Salary up to last work day
- Retirement benefits as defined by local laws and organizational policies
- Information on how leave accrued and not taken will be compensated
- Certificate of service/letter of recommendation (as per local laws)

STEP 8.6.3 – FIXED TERM CONTRACT

STEP NAME	FIXED TERM CONTRACT
Step Number	8.6.3
Inputs	HR policy on separation Local labor laws Payment of final dues Termination/clearance checklist
Outputs	Efficient and effective management of separation under fixed term contracts
Organizational Role	HR manager/designate manages in consultation with direct supervisor Department/unit head Separating employee Head of organization/designate monitors
Integration Points	Program management Finance department/unit Governance
Summary	Fixed term positions often rely on external funding and must comply with local labor laws. The employer and employee should communicate clearly regarding the specifics of the contract as well as what the organization will offer the employee upon separation.

Fixed term contracts are common in organizations that rely on external funding. Local laws should be consulted to verify they provide for the option of terminating fixed term contracts prior to the expiration of the term specified in the contract. If needed, the employer may extend the contract term in writing with agreement from employee.

Discussions should be held between the employee and the employer on the benefits, responsibilities, and liabilities of this type of contract. The discussions should clarify circumstances of contract extension/renewal, the length of the new contract, and when the benefits related to the ended contract are payable.

After the end of contract, the separating staff is entitled to payment of the following:

- Salary up to last work day
- Information on how leave accrued and not taken will be compensated
- Certificate of service/letter of recommendation (as per local laws)
- Any other benefit as provided by local laws or the organization's policies

STEP 8.6.4 – REDUNDANCY

STEP NAME	REDUNDANCY
Step Number	8.6.4
Inputs	HR policy on separation Local labor law Payment of final dues Termination/clearance checklist
Outputs	Efficient and effective management of separation due to redundancy
Organizational Role	HR manager/designate manages in consultation with direct supervisor Department/unit head Separating employee Head of organization/designate monitors
Integration Points	Program management Finance department/unit Governance
Summary	An employee's position may be eliminated due to redundancy. The employee must be notified in writing of the reason for and details of the separation. The employer and employee should communicate clearly regarding what the organization will offer the employee upon separation.

Redundancy refers to the employee's involuntary loss of employment through structural changes, reduced funding, or unplanned project closure, causing existing employment positions to be rendered redundant or inactive.

In compliance with local laws and HR policy on separation, the employer should notify affected employees in writing, including the reasons for the separation and the conditions. The conditions include benefits payable, management of unused leave, clearance, the handover process, and so on (e.g., if the law provides for the redundancy benefit of half a month's salary for each year of service and the employee leaves the organization after three years of service, the organization is obligated to pay an equivalent of one-and-a-half month's salary based on the salary at the time of separation.)

Staff members who separate due to redundancy are entitled to payment of the following:

- Salary up to last work day
- Redundancy benefits as defined by local laws
- Information on how leave accrued and not taken will be compensated
- Certificate of service/letter of recommendation (as per local laws)

STEP 8.6.5 – TERMINATION FOR CAUSE

STEP NAME	TERMINATION FOR CAUSE
Step Number	8.6.5
Inputs	HR policy on separation Local labor laws Payment of final dues Termination/clearance checklist
Outputs	Efficient and effective management of separation under circumstances like termination for just cause
Organizational Role	HR manager/designate manages in consultation with direct supervisor Department/unit head Separating employee Head of organization/designate monitors
Integration Points	Program management Finance Governance
Summary	When terminating an employee for cause, employers should take great care to comply with current company policy and local labor laws. Proper investigations should be conducted and the employee given the chance to appeal the decision. The employer and employee should communicate clearly regarding what the organization will offer the employee upon separation.

An employee will be subject to termination for cause for violating the organization's policies, for consistently not meeting performance standards, or for committing major offenses. In cases in which the termination is for consistently not meeting performance standards, supervisors should refer to ***Process 8.3*** to ensure that all steps for assisting employees in meeting performance standards have been taken prior to making a decision for termination.

In cases in which the termination is in relation to not following the organization's policies, the employer must refer to the policy the employee has violated. Please refer to ***Process 8.4***.

In cases when the termination is for a major offenses, the employer must first consider what constitutes a major offense under local labor laws. The following is a sample list of major offenses that may be cause for immediate dismissal unless local law provides limitations or other provisions. Major offences may include but are not limited to the following:

- Stealing/theft including theft from the organization, partners and beneficiaries, or from other employees
- Inaccurate reporting of business expenses, bribery, or other offenses involving graft or corruption
- Sexual harassment
- Violence or threats of violence against other employees, partners, beneficiaries, etc., and/or any behavior which endangers other employees or creates a safety hazard
- Absence without giving notice and without obtaining employer permission
- Other as specified by local laws

All terminations for cause will be in writing, using the appropriate format as per local labor laws. The head of the organization should sign all termination documentation.

All major offenses should be fully investigated, maintaining strict confidentiality during and after the investigations. It is important for the affected employee to be given a chance to appeal the decision. Appeal mechanisms should be well-defined and should include to whom within the organization the staff member should make his or her appeal.

Organizations should ensure that any separation benefits withheld or not paid in cases of termination for cause are in compliance with local labor laws. Staff members terminated for a cause may be entitled to payment of the following:

- Salary up to last work day
- Information on how leave accrued and not taken will be compensated
- Certificate of service (as per local laws)
- Any other benefit defined in local laws

STEP 8.6.6 – DEATH

STEP NAME	DEATH
Step Number	8.6.6
Inputs	HR policy on separation in the event of death Local labor law Payment of final dues Termination/clearance checklist
Outputs	Efficient management of separation in case of death
Organizational Role	HR manager/designate manages in consultation with direct supervisor Department/unit headHead of organization/designate monitors
Integration Points	Finance Governance
Summary	Upon the death of an employee, the employer must determine the last day of service and pay all appropriate salary and benefits.

The following steps should be followed in separation in case of death:

- Define last recognized work day for salary and benefits computation. The salary and benefits may be paid up to day of the death of the employee or up to the last day of the month in which the employee died.
- Define death benefits in accordance with benefits policy and local labor law.
- Notify relevant insurance and government offices.

Benefits will be paid in line with local labor laws and/or provisions of the organization's policies and guidelines. In circumstances in which local laws and the policies provide for employees to nominate beneficiaries, payment should be in line with the nomination list.

Payment normally includes the following:

- Salary up to last work day
- Death benefits as provided by local laws and HR policy on separation in the event of death. This may include payment of funeral-related expenses, insurance benefits, and other payments.

COMPLIANCE CHECKLIST FOR HR

The compliance review aims to assess the adequacy and effectiveness of the human hesources function in the organization. The reviewer should obtain copies of HR documents and assess their existence, adequacy, and completeness. The review covers the following key areas of the human resources function: human resources policies and procedures, payroll management, recruitment and separation process, staff development and training, staff records, and staff performance appraisal.

Human Resources Review Checklists

The following checklist may be used in the review.

Human Resources Policies and Procedures

Does the organization have written human resources (HR) policies and a procedures manual?

- Are the HR policies and procedures based on local labor laws?
- Are the HR policies and procedures regularly updated and revised?
- Is there staff dedicated to handling the HR function in the organization?
- Are staff members oriented on the HR policies and procedures when they join the organization?

Review of Personnel Records

A review of this section seeks to establish if appropriate personnel records are maintained for each employee and confidentiality of information is preserved.

- Do staff members have written contracts of employment?
- Do staff members have written job descriptions?
- Are personnel files maintained for each employee?
- Are the personnel files updated with all required staff documents (e.g., contract of employment, job description, educational certificates and testimonials, performance appraisals, leave records)?
- Is access to the personnel files restricted to authorized personnel?

Review of Payroll

Payroll consists of all employees' salaries, wages, bonuses, and deductions. An employer must retain all records pertaining to payroll. Such records include salary and wage histories and all salary and wage deductions for the periods of time stipulated by statute and standard business practices.

The compliance review of payroll management seeks to establish that the payroll management system is well established and functioning and that the payroll is accurate, approved, and in line with organizational policies on payroll management.

- Does the organization maintain a payroll register for monthly staff salaries and allowances?
- Is there a person dedicated to preparing the payroll register?
- What records are used as the basis for the preparations of payroll?
- What procedures exist for verifying and dealing with non-routine circumstances such as employee absence?
- Is payroll reviewed for accuracy and approved by someone other than the person preparing payroll?
- Does a staff member other than the one preparing the payroll register pay salaries?
- Are net salaries paid to staff members through direct deposits to their bank accounts?
- Are salaries on the payroll register in agreement with the amounts on the contracts of employment?
- Is there comparison of payroll register of the current month to that of the prior month?
- Is the removal or addition of employees to the payroll register approved by the relevant persons and supported with the relevant documents?
- Is appropriate authority granted for the current staff grading/salary and is it in agreement with the formal salary structure?
- Does each staff member have a unique identification number and is this used on payroll and in personnel files?
- Does the individual employee exist and is he or she a bona fide staff member? Obtain independent evidence.
- Are changes in staff salaries and allowances on the payroll supported with official communications to staff as per the personnel files?
- Do the relevant persons in the organization approve changes to staff salaries and allowances?
- Are statutory deductions made on the payroll and remitted on time as per statutory requirements?
- Is the calculation of the statutory deductions accurate?

- Are non-statutory deductions on staff salaries on the payroll authorized through written communication from the employees as per the personnel files?
- Do the deductions from employee salaries comply with organization/local labor law requirements governing the maximum amount of voluntary deductions that can be taken from an employee's monthly salary?
- Are payroll costs charged to the appropriate cost centers/account codes and posted to the cashbook and ledger?
- Is access to payroll restricted to authorized staff only?
- For employees who maintain time cards/timesheets for time worked, do the time records reflect the actual hours/minutes worked rather than the hours scheduled to work?
- Do payment dates agree with the attendance register/timesheets maintained?
- Are timesheets accurate, authorized, and signed by the supervisor?
- Are payroll costs charged to appropriate account codes in proportion to the actual hours worked as per the timesheets?
- If salaries are paid in cash, is money securely stored?
- Does the safe have a lock?
- Is access to unclaimed wages restricted to authorized personnel?
- Does the person responsible for payroll payment have access to the safe?
- If payment is by cash, how long is the cash payroll kept before payment?
- Is there a document the payer and the payee sign before payment is made?
- Are unclaimed wages properly accounted for?
- Are the unclaimed wages recorded? If yes, how?
- Is there a person responsible for unclaimed wages?
- Where are unclaimed wages kept?
- How long are unclaimed wages kept?
- Is authority in writing required before a representative of an employee is paid?
- Does the organization allow salary advances? If so, are they properly accounted for during payroll?
- Does the organization employ casual labor?
- Are casual laborers paid in accordance with the organization's personnel policies, local laws, and regulations?

LAURA SHEAHEN/CRS

A teacher conducts a writing lesson at a school for the deaf in Kabul run by ANAD, the Afghanistan National Association of the Deaf.

- Are taxes withheld from the casual labor wages?
- Does the organization hire consultants locally? If so, does the organization have contracts for the hired consultants?
- Does the organization give staff loans? If so, does the organization have a written agreement with staff concerning terms of the loan repayment?
- Are recoveries made on the loans as stipulated in the loan agreement?
- From sample employee records reviewed, do holidays taken in the last year exceed holiday entitlement stated in the contract of employment or approved holiday schedule?
- Have holiday days been properly authorized?
- Are there instances of staff members who have not taken leave for long periods of time?
- Are there instances of staff being paid in lieu of taking leave?

Review of Staff Recruitment and Separation

Compliance review of this section seeks to establish if adequate policies and procedures for staff recruitment and separation are in place and observed in all cases as applicable. Since separation through termination can be a cause of conflict and legal action, organizations should adhere to labor laws and set policies and procedures for separations from employment.

- Was the recruitment process followed as per written HR policies and procedures?
- If not, was there approval from the relevant authority within the organization for the exception?
- Are new staff members properly oriented to the organization?
- Have separated staff members completed the staff exit clearance form?
- Except for separations by death or termination for cause, are face-to-face and/or written exit interviews conducted by the HR department/unit for all separated staff?
- When staff members have separated by way of termination of services, has the termination process been followed as per HR policies and procedures?
- Are there any subsequent payments to separated staff after termination of employment? If so, verify appropriateness, approval, and collection of such payments.
- Have terminated staff members been issued certificates of service or letters of recommendation (as per local laws)?

- In the case of separation by death, have the necessary notifications been given to insurance and government offices and due salaries and benefits paid in accordance with HR policies and procedures?

Review of Staff Development and Learning

The review of this section seeks to establish if the organization has established and complies with policies and procedures of staff development and learning, which is one of the key components of an effective performance management system.

- Are there any costs incurred by the organization for staff development and learning? If so, are the costs in line with HR policies and procedures for staff development and learning?
- Are opportunities for staff development and learning considered with regard to the provisions of staff development and learning policies and procedures?

Staff Performance Appraisal

The review of this section seeks to confirm staff performance is reviewed regularly and according to standards across the organization regardless of the position.

- Is there a policy for staff performance appraisal?
- Are staff performance appraisals conducted regularly as per the policies and procedures manual?

Compensation and Benefits

The review of this section serves to minimize risk regarding total compensation of employees.

- Are benefits and compensation awarded to staff in line with HR policies and procedures?
- Does the benefits and compensation policy comply with government policies?
- Have statutory deductions to benefits been made and remitted as per statutory requirements?
- Is calculation of the statutory deductions accurate?
- In case of severance benefits accrued, verify mathematical accuracy and compliance with HR policy.

Safety and Security of Office and Staff

Every organization is obligated to take measures to support the safety of the staff and office. Some of the measures taken may include security and safety policies in the workplace and guidelines for implementation of the policies and measures that can be undertaken in case of emergency, terror attack, and others.

The compliance officer's main objectives in this regard is to establish

- existence of security and safety arrangements in the organization,
- evidence of implementation of the guidelines for security and safety procedures, and
- staff awareness and preparedness for the policies.

The compliance officer should test to establish the existence of the security and safety policies with the following checklist:

- Does the organization have safety and security policies in place?
- Are the copies of the policies distributed to all staff members?
- Are staff members aware of the safety plans?
- Are new staff members inducted into the security and safety plans?
- Test to establish the coverage of the policies.
- Do the security and safety policies cover all organizational activities and movements?
- Do the policies cover staff movement and travel via office vehicles, public means, air, and sea?
- Do the policies define the roles and responsibilities of the officers handling safety matters?
- Are security and risk assessments carried out periodically and if so are major security risks analyzed?

Test the organization's preparedness in managing safety and security matters using the following checklist:

- Does the organization issue security and safety guidelines to all staff members and visitors?
- Does the organization have safety and security relocation plans? If so, are the plans known to all the staff?
- Does the organization issue maps and guidance for their visitors and new staff members? How often is this guidance updated?
- Does the organization have contingency plans? If so, do they cover all possible occurrences?

GLOSSARY

Annual action plan: A document that outlines the major objectives or initiatives of an organization for a given year, typically including a timeline for implementation.

Arbitration: A procedure in which disputes are submitted to one or more impartial persons for final determination. (SHRM)

Background check: A process of confirming appropriateness of a candidate for a position by verifying personal information such as academic credentials, credit history, or criminal records.

Broad Band Structure: A specific salary structure characterized by a few levels of grouped salaries as opposed to a salary grade structure.

Coaching: The process in which a supervisor assists his/her employee in developing her or his knowledge, skills, and attitudes.

Compensation structure: A framework that groups positions that receive the same range of remuneration.

Development objective: The knowledge, skills, and attitudes an employee needs to fulfill his or her specific job requirements and complete his or her annual performance objectives.

Defined benefit plan: A plan that promises an employee a retirement benefit amount based on a formula. (SHRM)

Defined contribution plan: A plan in which the employer and sometimes the employee make an annual payment to the employee's retirement account. (SHRM)

Employment contract: An agreement between an employer and an employee that explains the employment relationship. (SHRM)

Feedback: Structured information that one person offers to another about the impact of her or his actions or behavior. It is a process of communicating what one experiences, observes, thinks, and feels about the other's actions or behavior.

Formal grievance statement: A document created on behalf of an employee or employees that is submitted to an organization as part of a formal process for resolving workplace issues.

Job analysis: A systematic study of jobs to determine what activities and responsibilities they include, relative importance and relationship with other jobs. (SHRM)

Job description: A summary of the most important features of a job including required tasks, knowledge, skills, abilities, responsibilities and reporting structure. (SHRM)

Learning needs assessment: A tool used to identify individual job-related knowledge or skills an individual lacks.

Market salary analysis: An assessment that matches positions of an organization to positions with similar responsibilities in other organizations for the purpose of comparing compensation.

Mediation: A method of non-binding dispute resolution involving a third party who helps disputing parties reach a mutually agreeable decision. (SHRM)

Nondisclosure terms: Information that while shared between an employer and employee is restricted from third parties

Organizational Charts: A visual representation of the reporting relationships among a group of employees within an organization or department within an organization.

Performance improvement plan: An action plan set to assist an employee in meeting the desired level of performance and professionalism when performance monitoring, review, and assessment results show that the employee needs to improve his or her work.

Performance management: The process of assisting employees in maintaining or improving performance through ongoing employee coaching, monitoring and assessment, and development.

Performance objective: The specific results an employee needs to accomplish during each performance cycle.

Performance rating: A clearly defined measure of performance standards/criteria.

Performance review and assessment: A formal process through which the employee's work performance is reviewed and assessed against set performance and development objectives.

Prescreen: A brief interview that serves to confirm the candidate possesses the minimum qualifications.

Progressive discipline: A system of increasingly severe penalties for employee discipline. (SHRM)

Redundancy: An employee's involuntary loss of employment through structural changes, reduced funding, or unplanned project closure.

Reference check: A process of confirming appropriateness of a candidate for a position, typically involving input from former supervisors.

Return on investment: A calculation that measures the economic return on a project or investment. (SHRM)

Rewards and recognition program: A system designed to recognize both individuals and teams for exceptional efforts and accomplishments in serving their units and the organization.

Risk Management: The identification and ranking of risks, based on probability of occurrence and impact to an organization and its employees, together with the implementation of plans to minimize the probability or impact of these risks.

Safety and Security: Policies and procedures based on local laws and best practices, designed to eliminate death, injury, or illnesses from occurring in the workplace or during the performance of work duties off-site and to secure and protect all tangible and intangible assets of the organization.

Salary grade structure: A specific salary structure characterized by multiple tiers of salaries as opposed to a broad band structure.

Salary structure: The manner in which an organization groups jobs with a large range of salaries together.

Sourcing: Identification of traditional and non-traditional means to identify potential candidates.

Staffing plan: The systematic identification of positions, structured to meet the needs of an organization given its funding and alignment with strategic goals.

Staff Care: Self-care techniques and institutional responses to employee stress in particularly difficult or stressful environments.

Timekeeping: The process of compiling information on each employee’s time and attendance data.

Total compensation: All rewards an employee receives including salary and benefits.

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SARA A. FAJARDO/CRS

A man works in his family's garden in the highlands of El Salvador. With the help of CRS, the small mountain community replaced the rocky terrain surrounding their homes with heavy loads of fertile soil.

APPENDIX A

SAMPLE STAFF REQUISITION FORM[1]

TO BE COMPLETED BY REQUESTING DEPARTMENT

Position requested by: ____

(name, position & signature of department head)

Date: ______________________

Title of position to be filled: (Attach job description)

Category of employee: Regular Employee / Temporary Employee / Other (specify)

Replacement Position / New Position

Duration of employment: To be hired from: to

TO BE COMPLETED BY HR DEPARTMENT

Job group/grade level for the position: **Salary Range**:

Included in the staffing plan

HR manager/designee's signature ______________________________ **Date**: __________

TO BE COMPLETED BY FINANCE/BUDGETING

Salary is included in the annual budget

Finance manager/designee's signature ______________________________ **Date**: __________

TO BE COMPLETED BY PERSON RESPONSIBLE FOR FINAL APPROVAL OF HIRE

Name and signature of president/designee: ______________________________ **Date**: __________

1 Adapted with permission from the Christian Health Association of Kenya 2008 "Generic Policy Document for CHAK Member Health Facilities."

APPENDIX B

SAMPLE JOB DESCRIPTION FORMAT[2]

Title:

Department:

Reporting to:

Job group/level/grade:

Location of the position: (if the organization has multiple offices)

Summary of the purpose of the position

List of key responsibilities

Knowledge, skills, and abilities required to perform the job

- Qualilfications (education, certification)
- Experience required for the job and length of that experience
- Skills such as computer, writing ability, or languages
- Behaviors such as ability to multi-task, attention to detail, team player

Drafted by: ______________________________ **Date**: __________

Approved* by: ______________________________ **Date**: __________

***indicates this job description is consistent with the staffing plan for this year

2 Adapted with permission from the Christian Health Association of Kenya 2008 "Generic Policy Document for CHAK Member Health Facilities."

APPENDIX C

SAMPLE INTERVIEW SCORE SHEET [3]

POSITION: ____

DATE OF INTERVIEW: ____________________________________

NAME OF CANDIDATE: ___________________________________

RATINGS:

1 poor; **2** below expectation; **3** good, meets expectations; **4** strong, exceeds expectations; **5** exceptional, far exceeds expectations

QUESTIONS	INTERVIEWER'S COMMENTS	RATING (1–5)
TOTAL SCORE		

Overall Comments and Recommendations:

____

____

____

____

Name and signature of interviewer: ______________________________

3 Adapted with permission from the Christian Health Association of Kenya's 2008 "Generic Policy Document for CHAK Member Health Facilities."

APPENDIX D

GIVING AND RECEIVING FEEDBACK[4]

Guidelines for Receiving Feedback

Solicit feedback in clear and specific areas	Ask, "How might we as CRS staff improve the usefulness of our project site visits?"
Make it a point to understand the feedback	Use paraphrasing skills, and ask clarifying questions, such as "What I'm hearing is... "
Help the giver to be specific	Ask, "Could you give me a specific example of what you mean?"
Avoid making it more difficult for the giver of feedback	Reacting defensively, angrily or arguing are all ways to turn feedback off.
Don't give explanations	It may be hard to remain silent, but keep in mind that explanations often seem defensive.
Show appreciation	Thank the person for making the effort to give you feedback.
Respond to key points	Say what you intend to do as a result of the comments you are receiving.
Remember that feedback is one person's perceptions—not universal truth	Keeping this in mind can help you to be less defensive. Confirm the feedback with others to determine if there is a pattern.
Pay attention to non-verbal feedback	Are people falling asleep as you speak? Do they look uncomfortable?

4 Adapted from Catholic Relief Services. (2007). *Pro Pack II: The CRS Project Package.* Baltimore: Hahn, S., Leege, D. , Reynold, D., Sharrock, G., and Stetson, V.

APPENDIX D

GIVING AND RECEIVING FEEDBACK[5] *continued*

Guidelines for Giving Feedback

Be specific and descriptive, but concise	Give specific, descriptive examples of the behavior or performance that you have observed. Don't use judgmental language like, "You are unprofessional." Instead, say, "You have missed three deadlines." Speak only for yourself (avoid "Everyone is saying…"), and restrict examples to things you know for certain.
Provide positive feedback	Don't take good work for granted; tell people when they do a job well. As above, avoid general praise like, "Keep up the good work!" **Be specific.** Say, "I noticed that partners were engaged and pleased with the excellent preparation and strong facilitation of the last project review meeting you organized."
Direct feedback towards behavior that the person can control	Saying, "Your English is unclear" is not a constructive comment. Focus on areas that the person can improve.
Be direct, clear, and to the point	Not being clear can create misunderstanding and discomfort. Don't leave the person guessing.
Time your feedback appropriately	Feedback is most effective right after the behavior or performance occurs or after it's asked for. Ensure privacy, and allow time for discussion. Is the moment right? Consider more than your own need to give feedback.
Be calm	Don't attack, dump (overload), blame or vent your anger. If you are not calm, do not provide feedback at that time. Wait until you cool off.
"When you do x, I feel y"	Say, "When you are late for meetings, I feel frustrated" instead of "You are always late for meetings!"
Watch out for non-verbal communication	Avoid giving feedback with inappropriate non-verbal gestures such as raised eyebrows, rolled eyes, or a sarcastic or haughty tone of voice.

5 Adapted from Catholic Relief Services. (2007). *Pro Pack II: The CRS Project Package.* Baltimore: Hahn, S., Leege, D. , Reynold, D., Sharrock, G., and Stetson, V.

APPENDIX E

UNSATISFACTORY PERFORMANCE TERMINATION CHECKLIST

Employee: ______________________________

Employee's Initial Employment Date with CRS: ______________________________

1.	Does the employee have a *Performance and Development Plan (P&D Plan*) for the current appraisal period?	☐ Yes	☐ No
2.	Were the time frames for actual results/outputs set in the employee's *P&D Plan* reasonable?	☐ Yes	☐ No
3.	Were there regular coaching sessions with the employee during the current appraisal period?	☐ Yes	☐ No
4.	Was the employee given: Instructions on how to perform his/her duties?	☐ Yes	☐ No
	Feedback on what standards of performance the supervisor considers to be satisfactory?	☐ Yes	☐ No
5.	Was a *Performance Improvement Plan* developed?	☐ Yes	☐ No
6.	Was the employee given a fair opportunity and assistance to improve performance?	☐ Yes	☐ No
7.	Have all the steps/actions, as outlined in the *Performance Improvement Plan,* prior to termination been followed?	☐ Yes	☐ No
8.	Was an evaluation completed on the employee at the end of the Performance Improvement period?	☐ Yes	☐ No
9.	Does the evaluation state that progress on improvement and performance are unsatisfactory citing specific areas?	☐ Yes	☐ No
10.	Have other alternatives to the termination been considered, i.e., demotion or transfer?	☐ Yes	☐ No
11.	Was the Operations Manager/Designate or the Regional HR Specialist consulted?	☐ Yes	☐ No
12.	Has a local legal counsel been advised on the termination?	☐ Yes	☐ No

If you have answered **"No"** to any question above, you should reconsider termination of the employee at this time. Sufficient opportunity or guidance may not have been given to the employee to insure that the employee is fully aware of the expected standards of performance and that the employee has had the opportunity to improve.

If you have answered **"Yes"** to all of the questions above, termination may be considered. The employee must be notified, in writing, and be offered the opportunity to resign.

APPENDIX F

SAMPLE PERFORMANCE RATINGS

Exceptional Contributor – Outstanding. Performance usually far exceeds expectations and is well above the performance objectives set for this position. Overall performance is characterized by exceptionally high quality and quantity of work in the accomplishment of position duties. The employee assumes responsibilities beyond position requirements, uses job-related skills in an exceptional manner, requires substantially less supervision than is typical for the position, and models in an exceptional manner the organizational-values-based behaviors. The employee's individual performance has been recognized outside of his or her department and has made a significant impact to the organization. This rating requires detailed justification including specific instances of achievement. It is expected that five to 15 percent of staff fall into this category.

Strong Contributor – Performance often exceeds expectations. Overall performance is characterized by high quality and quantity of work in the accomplishment of position duties. The employee uses job-related skills in a more than acceptable manner, requires a degree of supervision that is somewhat less than typical for the position, and demonstrates effectively organizational-values-based behaviors. The employee's individual performance has been recognized within his or her department. It is expected that 25 to 35 percent of staff fall into this category.

Positive Contributor – Exhibits successful performance and job-related behaviors. Overall performance indicates the employee is accomplishing assigned position duties. The employee uses job-related skills in an adequate manner, requires appropriate amount of direct supervision in order to produce work of acceptable quality and quantity, and regularly acts in accordance with organizational-values-based behaviors. Goals and performance objectives have been accomplished and the job requirements have been met. It is expected that 45 to 55 percent of staff fall into this category.

Improvement Needed – Partially meets performance expectations. Overall performance indicates the employee is approaching but not quite accomplishing assigned position duties. The employee uses job related skills in a less than adequate manner, requires a higher degree of direct supervision in order to produce work of acceptable quality and quantity, and does not consistently demonstrate organizational-values-based behaviors. A performance improvement plan should be developed to address deficiencies. No specific distribution within a division is set for this overall rating.

Unsatisfactory – Did not meet performance expectations. Performance is consistently below expectations. Deficiencies should be addressed as noted in the performance appraisal. The employee has had a reasonable period of time (initiated by documented evaluation of below-satisfactory performance) to improve performance. The employee continues to fail to accomplish assigned position duties, and/or continues to use job-related skills in an inadequate manner. He or she does not often act in accordance with organizational-values-based behaviors. No specific distribution within a division is set for this overall rating.

APPENDIX G

SAMPLE CONFIDENTIALITY STATEMENT/ACKNOWLEDGMENT

The purpose of this document is to ensure that each employee understands his or her responsibility with regard to confidential and sensitive information. Employees who have access to confidential and sensitive material must thoroughly understand what his or her responsibilities are. Disclosure of confidential information may result in disciplinary action up to and including termination. No employee shall disclose confidential information acquired by or available to him or her in the course of employment or use such information for speculation or personal gain. Confidential information shall be used only as required in the course of official business with authorized personnel. Employees should exercise diligent care to ensure non-authorized persons do not overhear or otherwise gain access to confidential information.

The areas of confidential information are as follows:

1. **Staffing/Interviewing**: Staff undertaking HR responsibilities must not take any action that might give special advantage of any kind to anyone who plans to seek employment with the organization. When an employee learns that a friend or relative plans on applying for employment she or he must notify the person responsible for hiring the staff member.

2. **Personnel Records:** Information contained in personnel records is confidential and is not to be divulged to or discussed with anyone except as needed to complete assigned duties. This information includes but is not limited to disciplinary action, medical data, legal actions, performance assessments, salary, and benefits.

3. **Other Confidential Information:** Confidential information and materials obtained from staff meetings, department projects, management meetings, or staff must be controlled so that it is not available to anyone who is outside the scope of those who need to know. This information can be sensitive in nature and may easily be misunderstood by persons not having complete information on the subject(s). If inquiries are made, they should be referred to the appropriate staff member. If you are uncertain of whether to divulge certain requested information, refer the party to someone who may be able to assist them rather than give out incorrect or confidential information. Although certain information may be given, only designated employees are to release this information. When in doubt, employees are to consult their supervisor.

4. **Computer Security:** Employees who have access to personnel information by either passwords or other security codes are to respect the privacy of data and not disclose or misuse any information contained in confidential records or reports. Passwords are not to be released to any employee except as deemed necessary by the president.

5. **Security Violations:** Every employee must take whatever steps are necessary to safeguard confidential materials in his or her custody, and must notify immediately his or her supervisor if a situation indicates a violation of security.

6. **Human Resources Information:** Any HR-related information will be limited to a “need to know” basis and accessed only in line with assigned duties to uphold confidentiality.

Acknowledgment

I acknowledge that I have read this statement regarding confidentially and will abide by the standards set forth in this confidentiality agreement.

Signature: ______________________________ Date: ______________

Name (printed) ______________________________

APPENDIX H

CONFLICTS OF INTEREST

A. PURCHASING POWER

1. No employee will use the buying power of THE ORGANIZATION to acquire goods or services for the benefit of the employee or his/her family members.
2. No employee may use the THE ORGANIZATION tax-exempt number for any private purchases whatsoever.

B. GIFTS AND GRATUITIES

1. No employee may solicit or accept, directly or indirectly, any gift, gratuity or favor that has substantial economic value, where either party could infer any obligation.
2. All offers of donations to THE ORGANIZATION must be directed to DESIGNATED PARTY, who will accept on behalf of THE ORGANIZATION.
3. All honoraria received should be sent to the Finance Department.

C. PROCUREMENT

No employee shall authorize for use by THE ORGANIZATION any product or service furnished by a firm in which the employee or the employee's immediate family members has a financial interest. Such decisions should be referred to the interested employee's supervisor.

D. USE OF FUNDS

All applicable rules and procedures regarding use and accounting of THE ORGANIZATION and/or Government funds should be specifically followed. Any questions about these procedures or the possible appearance of impropriety should be referred to the Director.

E. BANKING

Employee shall not use THE ORGANIZATION name on any, or for any, personal banking accounts.

F. REIMBURSEMENTS

No employee may authorize their own reimbursements for expenses.

G. NON-COMPETE

No employee may provide services for compensation to any organization engaged in similar activities as THE ORGANIZATION, except with prior authorization.

APPENDIX I

ORGANIZATIONAL TRAINING/LEARNING PLAN

NAME OF TRAINING	STAFF AND PARTNERS TO ATTEND	PRIORITY (HIGH, MID, LOW)	INTERNAL TRAINING CAPACITIES (WHO)	EXTERNAL TRAINING CAPACITIES	COST (PROJECTED)	FUNDING	DATE(S)	LOCATION

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

www.crsprogramquality.org

CATHOLIC RELIEF SERVICES

Chapter 9:

Information and Communication Technology

GUIDE

CRS
CATHOLIC RELIEF SERVICES

Front cover photo: Students in Choco, Colombia, communicate with a parter school in the United States through a CRS program that links students via the internet. The program helps bridge cultural divides while improving students' computer skills. Photo by Jim Stipe/CRS.

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

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

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CHAPTER 9: INFORMATION AND COMMUNICATION TECHNOLOGY

RICK D'ELIA FOR CRS

Niramure Joselyne, 19, of Rwanda, sews an item for her client. Joselyne is an orphan who learned this marketable skill through a CRS program.

ICT PROCESS MAP

Implement a Technology Plan

Process 9.1

Do you have a methodology in place for making technology decisions?
see page 6

Software Selection Process

Process 9.2

Do you have predefined criteria for selecting new software?
see page 13

PURPOSE OF THIS GUIDE

This guide is intended as a reference/working document targeted at organizational managers and practitioners in the field of information and communication technology (ICT). It is intended to aid in the development and enhancement of management processes. Specifically, this guide presents the principles, minimum standards, and best practices for the successful establishment of an ICT implementation process and a software selection process.

Organizations interested in developing or improving their business processes and related policies and procedural manuals will use the information in this manual in different ways. This is because each and every organization has its own unique spin, interpretation, and implementation of ICT business processes.

While it is recommended you read the entire guide to gain a full understanding of the ICT business process, it is not necessary to read all the sections or chapters in chronological order.

WHAT FUNCTION DOES ICT SERVE?

Every organization has information processing and communication requirements. The efficiency of the organization as a business depends on how the organization has optimized its information processing system.

Having ICT processes in place allows an organization to continuously monitor developments and trends in information technology and evaluate the need to change or automate its processes. In the current environment of continuous development in the ICT sector, many agencies may be tempted to opt for technologies that look very fashionable at any given time. The agency needs to balance this urge with a long-term information requirement plan. Investment in ICT technology should be smart and in keeping with agency strategy.

SUMMARY OF THIS GUIDE

An efficient and effective ICT structure reflects professionalism, compliance, fairness, reliability, and transparency to donors. To achieve this, ICT requires considerable attention.

There is no one "right" ICT structure. Factors such as the size of the organization, availability of local ICT infrastructure, and availability of trained staff and service facility define the ICT requirements. The size of

MELITA SAWYER/CRS

A savings group meets in a local church on El Salvador. The woman in the red and white striped shirt is the field agent. She's working with the group's secretary to teach her how to keep the record book.

the organization is also likely to make a difference in the formation of ICT structure, policy, and procedures.

Managers may directly or indirectly identify the need to change or add automated systems by recognizing one of the following concerns:

- Lack of computing/computer resources
- Use of older technologies (i.e., hardware, software, communication, etc.)
- Limited management information
- Lack of operational information
- Stagnation – a period of little or no economic growth
- Untimely information
- Turnover of data processing personnel
- Lack of software features, functions and capabilities
- High data processing costs

Any of the above problem areas may be a symptom of systems obsolescence or indicate the need for systems replacement.

The guidelines presented herein are a compendium of ICT implementation process, minimum standards, and best practice ICT policies intended to aid an organization's management and staff in the development and/or enhancement of their ICT management policies, procedures, and practices.

KEY PRINCIPLES OF THE ICT FUNCTION

The procurement of goods and services is guided by principles. These principles, when properly applied, provide a guide to best practices in the procurement process. The five core principles are:

1. Competition, Transparency, and Openness

ICT activities will be conducted in an open and impartial manner, using adequately tested transparent systems, avoiding biased specifications, and treating all data requirements consistently and equitably, so that potential vendors and donors can have confidence in the outcomes.

2. Value for Money

Agencies must pursue value-for-money ICT infrastructure, i.e., weighing the benefits of the ICT structure against the cost of the purchase, taking into consideration the following factors:

a. Meeting standard security specifications

b. Advantages of buying locally available services

c. Quality assurance

d. Capacity of service (e.g., managerial and technical abilities)

3. Compliance With All Legal and Regulatory Requirements

All ICT structure implemented will be in accordance with the legal regulations of the country of function and comply with all donor regulations.

4. 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.

5. Conflict of Interest

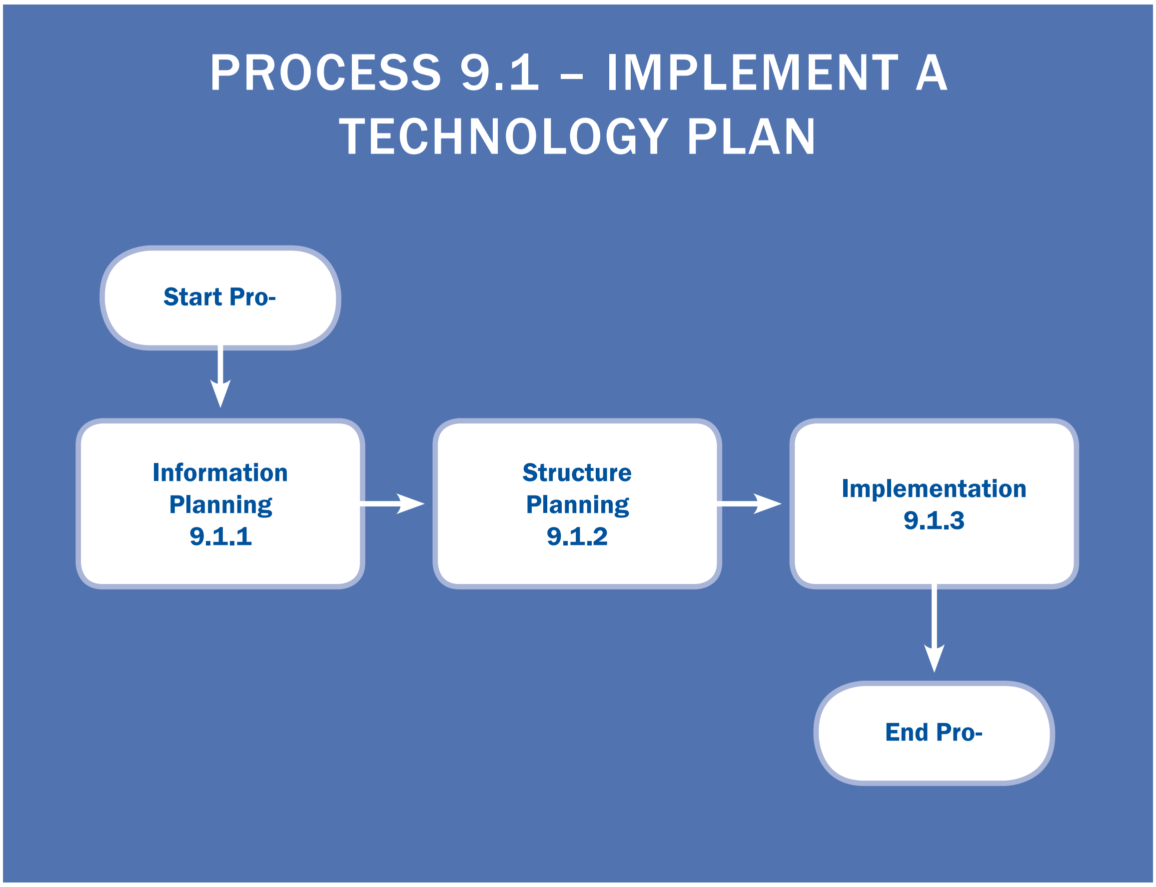
The organization and its staff shall at all times avoid situations in which private interests conflict, might reasonably be thought to conflict, or have potential to conflict with the organization’s mandate.

ICT BUSINESS PROCESS 9.1 – IMPLEMENT A TECHNOLOGY PLAN

PROCESS DESCRIPTION

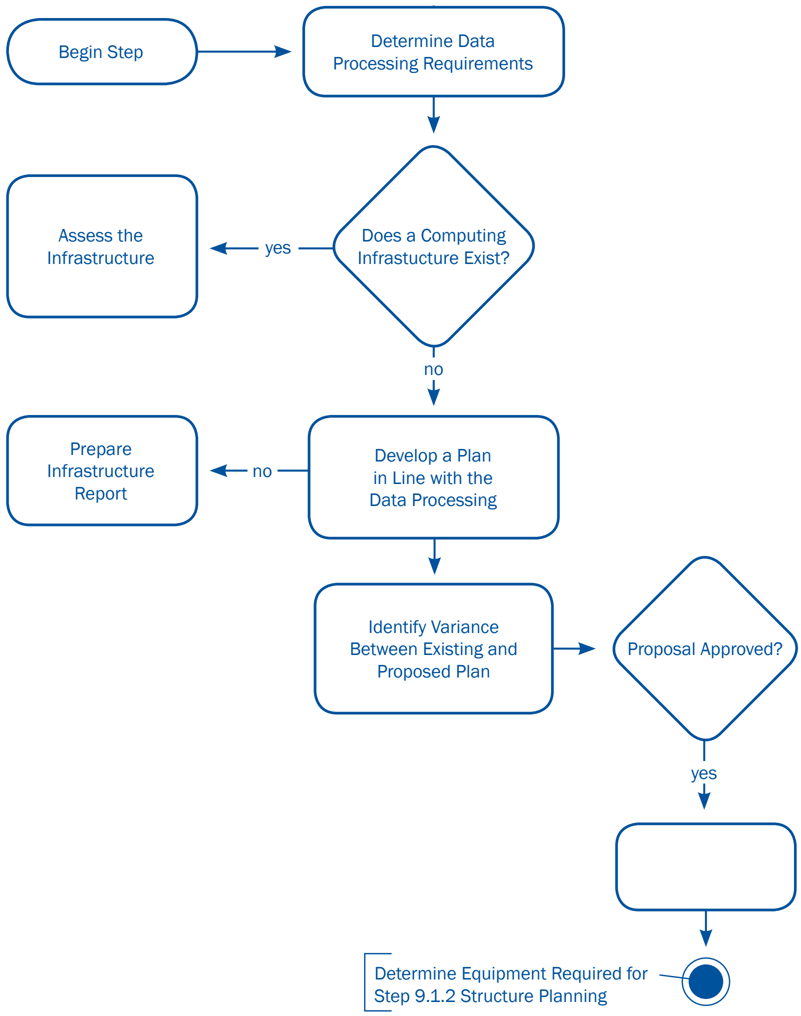
This process has three steps. Step 9.1.1 defines how the organization considers the information requirements as the basis of the entire ICT structure. Step 9.1.2 defines how the organization develops the ICT structure based on those information requirements. Step 9.1.3 defines how the final implementation and continuous upgradation of ICT infrastructure is done.

PROCESS FLOW



STEP 9.1.1 – INFORMATION PLANNING

STEP NAME	INFORMATION PLANNING
Step Number	9.1.1
Inputs	Data requirements of different departments Existing infrastructure details
Outputs	Data requirement plan Final implementation plan
Roles	All departmental heads IT officer IT consultant
Integration Points	All departments
Summary	The organization needs to implement an information system based on data requirements, security requirements, availability of software and hardware, and availability of trained personnel.



JIM STIPE/CRS

Ramiro Rodriguez and his wife fled their farm in rural Colombia when guerrillas came to their house. They made their way to the capital, Bogota, and with the help of CRS and Caritas were able to start a new life by creating a bakery in their home.

The organization should implement an information system based on data requirements, security requirements, availability of software and hardware, and availability of trained personnel. The process cycle starts with an independent assessment of data requirements and ends with implementation of the system plan. It is important for the organization to continuously monitor and assess information requirements and to have an information plan for a longer period of time, preferably for at least five years. The organization should implement a system that shows the right balance between cost, requirement, and availability, rather than acquiring the latest and most sophisticated system that is available on the market.

Business Requirements

1. The organization should conduct a data processing requirement assessment for all departments for a period of at least five years.
2. Data security is an important consideration in the requirement process.
3. The assessor should consider the existing computing network if it exists.
4. An ICT assessment (existing hardware and software in comparison to the desired status) needs to be done of the existing structure with the data requirements.
5. A proposed plan should be made in order to address the business requirements.
6. A cost budget should be prepared based on the plan.
7. The proposed plan and budget should be subject to modification based on final executive decision and resource constraints.
8. The final plan as devised above should be implemented as per the agreed time line.
9. A re-assessment process should be undertaken one year after implementation.

Best Practices

1. ICT has a plan for at least five years.
2. ICT requirements are not designed on a project basis but on an agency basis.

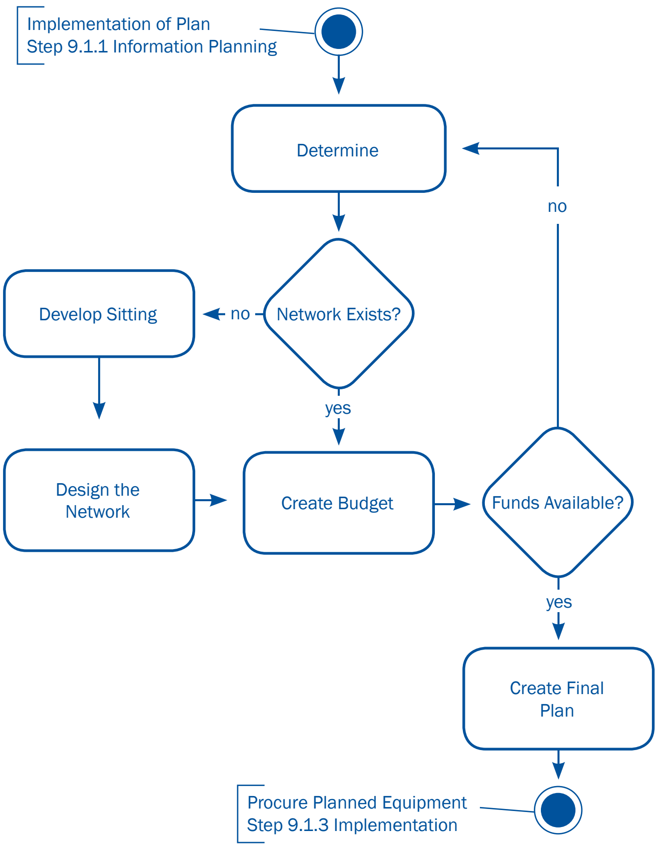
Minimum Requirements

1. A single person does not develop the plan.
2. A team containing the executive body and director reviews the plan.

STEP 9.1.2 – STRUCTURE PLANNING

STEP NAME	STRUCTURE PLANNING
Step Number	9.1.2
Organizational Role	Facility department IT officer Purchasing officer Finance officer Executive
Inputs	Information implementation plan Quotations
Outputs	Approved purchase order Service agreement
Integration Points	All departments
Summary	The structure plan considers the type of equipment to use, for example making the decision to use a laptop or a desktop computer, or to use a pool of computers rather than a more personal set-up.

The organization uses the implementation plan to develop a structure plan. The structure plan considers the type of equipment to use, for example making the decision to use a laptop or a desktop computer, or deciding to use a pool of computers rather than a more personal set-up. Staffing strength and sitting structure are considered in the planning process. Planning culminates with the issue of actual purchase orders and implementation of service agreements.



Business Requirements

1. The opportunity for implementing a network should be assessed. If appropriate, a network plan including the size and nature of the network should be developed.
2. A staff sitting plan needs to be created. The plan will determine cabling requirements.
3. Quotations are received for the networking and the number of computers to be purchased.
4. The purchase of computers and the cable service requirements are approved.

Best Practices

1. Procurement best practices are ensured.
2. All plans are created, verified, and approved by different individuals, i.e., the creator is not the verifier and the approver should if possible be a committee or board that will approve the plans in accordance with the desired results, which will be in line with the overall strategy.

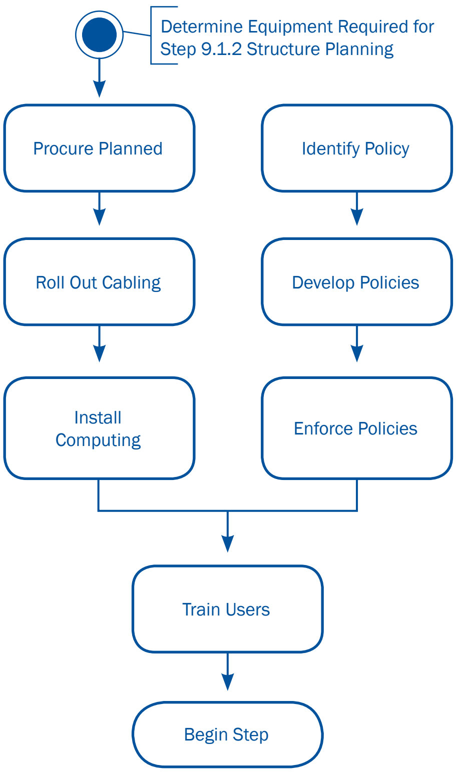
Minimum Requirements

1. Procurement best practices are ensured.
2. Segregation of duties is implemented.

STEP 9.1.3 – PREPARE INFRASTRUCTURE REPORT

STEP NAME	PREPARE INFRASTRUCTURE REPORT
Step Number	9.1.3
Organizational Role	Facility department IT officer Purchase officer Finance officer Executive
Inputs	Information implementation plan Purchase orders
Outputs	Training plan
Integration Points	N/A
Summary	The policies developed may be scalable taking into consideration future growth

The organization starts the equipment implementation and the policy analysis simultaneously. It is important for the organization to develop policy based on the actual structure plan. The policies developed may be scalable taking into consideration future expansion.



JIM STIPE/CRS

Participants from CRS regions around the world meet in small groups at CRS headquarters during the M & E (Monitoring and Evaluation) Summit.

Business Requirements

1. Materials are procured and received.
2. Cabling is done as required.
3. Network is set up.
4. Policy requirements on Internet use are identified and developed.
5. Training is done based on hardware and policy requirements.

Best Practices

1. Procurement best practices are ensured.
2. All plans are created, verified, and approved by different individuals, i.e., the creator is not the verifier and the approver should, if possible, be a committee or board that will approve the plans in accordance with the desired results, which will be in line with the overall strategy.

Minimum Requirements

1. Segregation of duties is implemented.

ICT BUSINESS PROCESS 9.2 – SOFTWARE SELECTION PROCESS

PROCESS DESCRIPTION

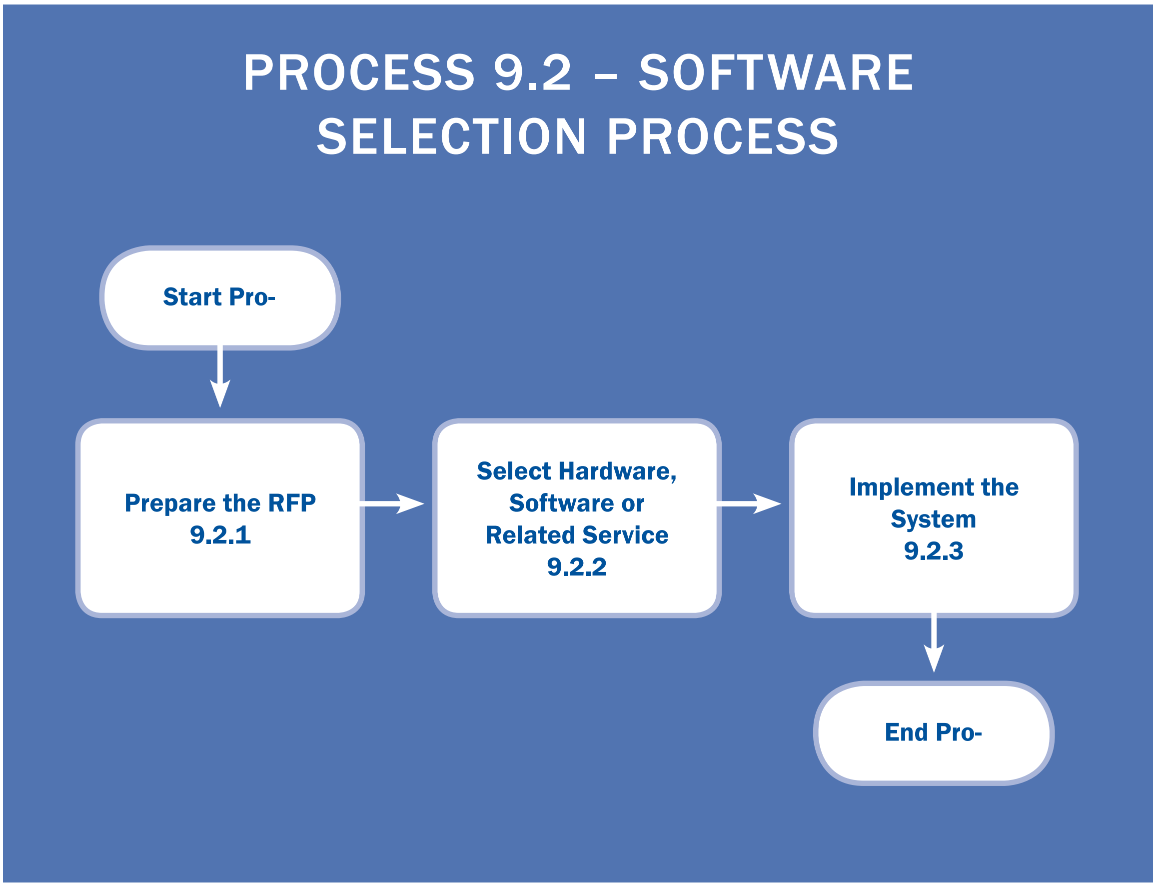
Selecting a management information system is critical to organizational management because cost-effective technology and information systems are needed in all areas and departments of the organization.

Failure to select the right systems may be due to one or more of the following:

- Improper definition of system objectives and requirements
- Failure to involve both management and users at adequate levels
- Underestimating the costs and efforts required for conversion
- Failure to adequately plan for expansion
- Failure to evaluate software properly

The process flow template below will serve to assist in avoiding the pitfalls listed above, thereby reducing the risk of failing to select the correct system.

PROCESS FLOW



STEP 9.2.1 – PREPARE THE RFP

STEP NAME	PREPARE THE RFP
Step Number	9.2.1
Organizational Role	Facility department
Inputs	N/A
Outputs	RFP Vendor proposals
Integration Points	Key department personnel
Summary	Preparing an RFP requires numerous preparatory activities such as creating a selection committee, performing a needs assessment, and listing the needed product specifications. After receiving proposals, evaluation will be needed.

1. Create a Selection Committee

A selection committee should be appointed to oversee the systems selection project. This committee should be responsible for the outcome of the project and should generally direct, monitor, and report on project activities.

Management's involvement in the systems selection process is critical to the successful completion of the project. The assigned individuals within the organization should have a clear understanding of the objectives and scope of their assignment and ensure that a proper reporting relationship with management exists before undertaking this responsibility.

2. Perform a Needs Assessment

Selection committee members should gain an understanding of the present manual and/or automated systems and use this as a basis for defining requirements for each application area to be automated. This can be accomplished by meeting with key departmental personnel to define the features, capabilities, and reports that are desired and required to satisfy their needs. This list of requirements is necessary to compare the capabilities of various software products and services and will become a major component of the request for proposals (RFP). This also may include identifying current data processing costs, including estimated costs for processing each major application. This information can provide management with a basis for cost comparison with proposed systems changes.

Because of the uniqueness of the organization's particular requirements, general software packages may not be readily available. These instances need to be identified, as they may have a substantial impact on the initial cost of implementing automated systems. In some instances, the organization may subsequently decide to eliminate certain requirements from the systems' objectives rather than incur the cost of developing unique application programs.

KARL GROBL FOR CRSA

On Calcutta, India, Shishu Bhawan Orphanage cares for an estimated 300-350 children, about 50 of whom are physically and/or mentally challenged.

3. Determine Processing Volumes

The selection committee members should also document key processing volumes for each application area, since this information will subsequently be used to determine specific hardware requirements. Current and future volumes (e.g., five-year) should be used to ensure that the proposed system has adequate capacity for processing today's activity volumes with a margin for reasonable growth.

4. Develop Hardware and Software Specifications

The hardware specifications should include technical information related to requirements for equipment speeds, capacities, and capabilities. It is important to consider future expansion requirements for each component, such as the central processing unit (CPU), disk and tape drives, data communications devices, printers, and other hardware components. The software specifications should include specific software features, functions, and capabilities required from a user perspective. The specifications should also identify interface requirements to existing hardware and software systems, benchmarks related to processing speeds and volume of the system, and conversion issues. In addition, it is important to specify the requirements for technical and user documentation and the type and amount of training to be provided.

5. Prepare the RFP

The vendors should be provided with the basic information required to prepare a specific proposal. The RFP should include the following considerations:

- Proposal instructions for responding to the RFP
- Organization background information (e.g., description of present processing methods)
- Estimated processing volumes developed previously
- Hardware and software bid specifications developed previously
- Electronic data processing control considerations (e.g., access and security capabilities)

- Reference information for existing users
- Cost information, including the initial acquisition costs and annual recurring costs to facilitate life-cycle costing analysis
- Proposal evaluation criteria that will be used to compare vendor responses

6. Analyze and Evaluate the Proposals

The selection committee should review the vendor proposals and prepare comparisons of the proposed hardware and application software. The committee should develop summaries of each system's expansion capabilities, along with cost summaries. Vendor references should be checked to ensure that the vendor's technical, installation, and service support is adequate. Finalists should perform software demonstrations and user site visits.

STEP 9.2.2 – SELECT HARDWARE, SOFTWARE, OR RELATED SERVICE

STEP NAME	SELECT HARDWARE, SOFTWARE, OR RELATED SERVICE
Step Number	9.2.2
Organizational Role	Facility department
Inputs	Vendor proposals
Outputs	N/A
Integration Points	Key department personnel
Summary	Choosing a vendor from a list of proposals requires taking a diverse array of selection criteria into account.

MIKE SPINGLER/CRS

A women's microcredit group meets in Cambodia.

The selection committee should develop a list of criteria to be used in evaluating automation alternatives. These criteria should assist the selection committee in prioritizing and quantifying the automation solutions that best fit the needs of the organization. The criteria will then be used to evaluate the vendors' proposals and assist in making the systems selection decision.

Based on the above evaluation, each vendor should be ranked according to management's criteria for selection. A list of advantages and disadvantages for each alternative also should be developed. The selection committee should then recommend the best overall solution, given these findings and conclusions.

A written report containing a summary of the above information should be presented to management. The report should be supplemented by descriptions of each alternative and recommendations for contract negotiations and implementation activities.

Selection Criteria:

It is important to note that each organization has a unique set of requirements for any given software application and that it is not possible to provide a single list of requirements appropriate for every organization. Organizations differ in size, IT infrastructure, communication style, required level of security, cash position, IT literacy, and in-house capabilities.

The following 14 suggestions are guidelines for the selection process, but each organization should weigh each of the criteria to reflect its unique requirements.

DAVID SNYDER FOR CRS

In Bangladesh, some of the youngest students of the CRS-supported Sangoil UCPEP School head home after morning classes. Once children complete four years at Sangoil they join the regular government primary school system, already four years ahead of their peers who have not had access to pre-school education.

1.)	First, it is a good idea to check the vendor's background as well as basic product information. Key at this stage is pricing, since prices vary significantly as do pricing models. Here it is important to check not just license fees but also maintenance fees. Software pricing is a very difficult issue and different pricing models might be more applicable to one organization than others, e.g., pricing per user rather than pricing per package. Software companies are often flexible in their pricing and pricing models are subject to negotiation. It is also important to consider training and implementation costs as they can drastically increase the overall price of solutions, but often remain initially hidden.
2.)	It may be useful to understand the background of the vendor's company and the product. The size and global presence of a software vendor might be important if organizations plan to implement the system across the region or country of operation. One might want to check the economic viability of the software vendor as well.
3.)	In order to assess the scalability needs it is important to consider the final scope of implementation. An organization might initially implement a system in one department or business unit, but later expand it to the entire organization. There are three aspects of scalability:
3a.)	The application should be scalable in terms of programming. It should be easy to add new users and departments at any time.
3b.)	The underlying database should be scalable to allow for data accumulation.
3c.)	The communication approach should be scalable so that it is easy to disseminate the information to users.
4.)	Language can also be an issue for international organizations. It is advisable to check whether the application comes in various languages.
5.)	Flexibility and customization are important aspects. Today, organizations are less willing to invest in applications that are not, for example, able to integrate with other applications. Many tools provide interfaces with reporting packages, spreadsheets, activity-based costing solutions, or planning features. Flexibility should also be provided in terms of methodology support.
6.)	The organization should consider features and functions. Organizations can discuss needs in terms of administrative tasks and access control, exception alerting, collaboration, and reporting. It should be possible to assign owners (and persons responsible for data entry) in order to contact them or send automated reminders. Some organizations like automated e-mails and workflows, other organizations do not feel that such an approach fits with their work culture. Organizations might want the software to support action and include activity or project fields that allow tracking progress against strategic objectives. Organizations need to decide what level of security is needed in the system; some organizations are very open and share any aspect of the system information among all employees whereas others require very tight security. An organization might require a system that can handle multiple currency reporting or multiple entity reporting. Such functions and features should be considered in the selection process.
7.)	The communication aspect of any system implementation is important to the users. Organizations have to address issues such as deciding if the software should be web-enabled or perhaps even WAP-enabled. Some software solutions are able to trigger automatic alerts, e-mails, or SMS messages, which can be sent to individuals or groups.

8.)	Technical requirements depend on the existing infrastructure in each organization. Any new piece of software should support the existing desktop or network operating system. Any discussion about technical requirements should involve the IT department.
9.)	In considering user interface and data presentation, organizations have to decide how they want data to be presented in the form of reports being generated by the system; applications vary from very graphical representations to more text- and tables-based reports.
10.)	Tools offer different levels of analysis capabilities stretching from simple drill-down capabilities to multidimensional analysis, complex statistical functionality, forecasting, and even scenario planning. Organizations that require more complex analysis functionality often have tools for this in place and have to decide whether to integrate or replace those. Analysis functionality also includes the number of graphical displays (from bar charts to advanced 3D charts) and tolerance settings. Requirements in terms of charts and graphs depend on the measures the organization tracks and their visualization requirements. It is especially important to include business analysts in discussions of these requirements.
11.)	The system should be able to provide back-up mechanisms that include both internal and external back-ups. It should also be able to maintain an audit trail, which is important for future references.
12.)	Vendors offer different levels of service. Some offer no implementation support and instead partner with consulting companies. Other vendors offer comprehensive service including implementation service and a service hotline. Organizations need to be clear about how much support they want and whether the vendor or its partners can deliver the desired level of support.
13.)	Organizations should consider future developments and release frequency of the product, which might indicate the vendor's attention and commitment to the product. It is also important to understand the future vision of the software vendor, which will influence future product development direction. Organizations should share their future vision with the software vendor in order to ensure future compatibility.
14.)	It is important to know whether the software is at the beginning or end of its product lifecycle in order to fully assess risks associated with adopting the product. Products at the end of their lifecycle often have very robust functionality and a large customer base. The danger with these products is that they are written in older technology, so compared with new software they are often difficult to modify. They also may be less intuitive for users, may have poor reporting capabilities, and have a high risk of being discontinued in the future. In addition, the vendor may not be providing much support for the product, may not be developing and enhancing the product, or may be focusing its resources and efforts on new products. If the vendor discontinues the product, customers will have to invest in licensing and implementing a new software system. Products at the beginning of their lifecycle take advantage of the latest technology. The problem with these products is that, because writing software is such a complex undertaking, the new software usually has functional gaps and may be unstable with a number of software "bugs" or anomalies. Even if the software is relatively bug-free, new versions usually do not have adequately trained implementation experts, training resources, or full technical support.

STEP 9.2.3 – IMPLEMENT THE SYSTEM

STEP NAME	IMPLEMENT THE SYSTEM
Step Number	9.2.3
Organizational Role	Facility department
Inputs	N/A
Outputs	N/A
Integration Points	Key department personnel
Summary	After choosing a vendor, a contract will need to be negotiated before implementing the system. After implementation, it is important to schedule a post-implementation review.

1. Negotiate Hardware, Software, and Service Contracts

Once finalists have been identified through the evaluation process, contracts for hardware, software, and services should be negotiated. During the initial phases of contract negotiations, the organization may choose to work with more than one vendor in an effort to improve its negotiating position with the best vendor. Contracts should include provisions that protect both parties and should be reviewed by legal counsel with experience in the technical aspects of hardware, software, and related services.

2. Implement the System

The implementation process should be a combined effort potentially involving organization personnel, vendor personnel, and outside consulting personnel as needed. The implementation plan should provide specific details regarding the activities, responsibilities, and target dates for the implementation process.

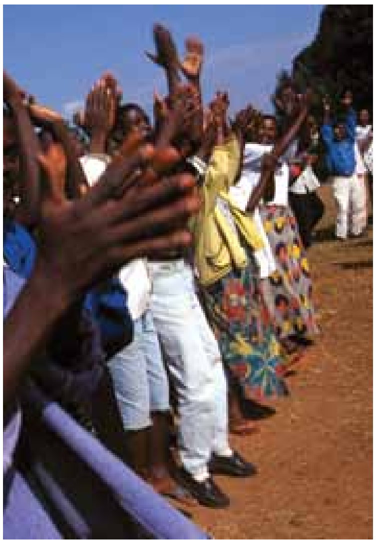
3. Perform a Post-Implementation Review

When the implementation process has been completed, a post-implementation review should be performed. This typically entails a review of the new system to verify for management that requirements are being satisfied and that the system is functioning satisfactorily. Specific strengths and shortcomings should be identified and a plan should be developed to address any serious weaknesses.

COMPLIANCE CHECKLIST FOR ICT FUNCTIONALITY

REVIEW CHECKLIST	COMPLETE
Are there policies and procedures guiding and regulating the use of ICT equipment?	
Are those policies circulated to staff?	
Are there monitoring procedures (carried out by IT staff) to assess effective implementation of the policies and procedures?	
Are there policies and procedures in place to guide and regulate employees in the following areas?	
Creating and use of email accounts	
Misuse and personal use of emails	
Information confidentiality	
Are there policies and procedures guiding and governing the following?	
Hardware and software standards	
Software configuration, setup, and installation	
Software license and copyrights	
Computer antivirus protection	
Are there policies and procedures guiding and governing power supply management in the following areas?	
UPS equipment standards and specification	
UPS systems (to prevent data losses)	
Power saving (power switchoff at night and on weekends and public holidays)	
Are there policies and procedures guiding and regulating procurement of IT equipment and software?	
Request and approval	
Delivery	
Inspection by IT staff	
Allocation (to staff), configuration, setup, and installation	

STEVE RUBIN FOR CRS



Rwandan solidarity camp youth participating in activities.

Are there policies and procedures guiding and governing IT equipment disposal?	
Are there policies and procedures guiding and regulating LAN setup, configuration, and administration?	
Are there policies and procedures for the following areas of information and computer security?	
Use of personal computers and software	
Downloading and uploading of data from and on non-business related sites	
Sharing and exchanging data	
Access to confidential data and information	
Handling a security breach	
Are there standard procedures and processes for the following considerations of data backup?	
Assigned responsibility	
Backup media	
Off-site backup	
Is there a disaster preparedness/recovery plan?	
Are there policies and procedures governing the following considerations of a service level agreement?	
Standard contract detailing	
Level of support service	
Length of services and hours of support	
Response time	
Access to information and confidentiality	

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CATHOLIC RELIEF SERVICES

Chapter 10:
Monitoring and Evaluation (M&E)

GUIDE

CATHOLIC RELIEF SERVICES

Front cover photo: Susan Thubi, a Clinical Officer at the Nazareth Holy Family Clinic in Limuru, Kenya, checks the records of a patient who has come to the center for treatment. David Snyder for CRS.

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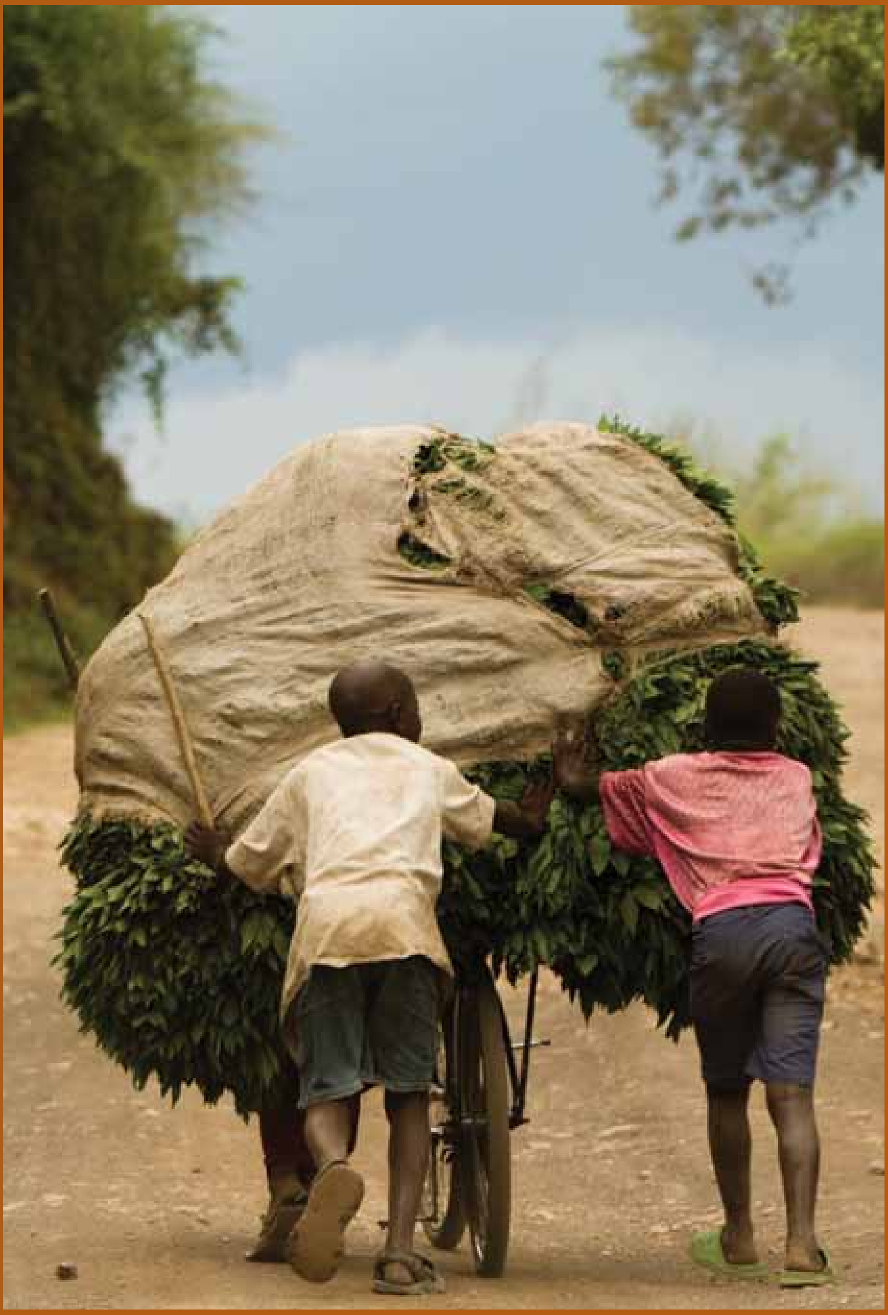
ACRONYMS

CRS	Catholic Relief Services
HR	Human Resources
ICT	Information and Communication Technology
IR	Intermediate Results
LADs	Learning to Action Discussions
M&E	Monitoring and Evaluation
SO	Strategic Objective
SPSS	Statistical Package for the Social Sciences
VSAT	Very Small Aperture Terminal (a form of satellite communication)

CHAPTER 10: MONITORING AND EVALUATION



CARL D. WALSH FOR CRS

Farmers from the Democratic Republic of the Congo village of Ngumba transport heaps of cassava leaves on their bicycles to market.

MONITORING AND EVALUATION PROCESS MAP

Developing an M&E Framework

Process 10.1

Do you have objectives that will drive your Monitoring and Evaluation processes?
see page 9

Establishing the M&E System

Process 10.2

Do you have a plan for turning the indicators into the information forms?
see page 18

Implementing the M&E System

Process 10.3

Do you have a plan to carry out the M & E system you have designed?
see page 27

PURPOSE OF THIS GUIDE

The purpose of Chapter 10 is to enable you to understand some of the essential activities in designing and implementing a monitoring and evaluation (M&E) system. Depending on the scale of a project, M&E can be an involved process for which you may need support. This chapter presents a guide to understanding key M&E concepts and activities; the chapter is *not* intended to be a how-to manual.

Good M&E starts during project design. At this stage, you define the project's purpose and develop a strategy to address identified opportunities and challenges. The processes for developing a set of objectives are conducted in a way that supports the design, establishment, and implementation of a high-quality M&E system for the project. Table 10.1 summarizes the steps of project design.

TABLE 10.1 Key Elements of Project Design That Underpin High-Quality Project M & E

KEY PROJECT DESIGN ELEMENTS	DESCRIPTION
Developing a project ideas (or concept) note	A brief, structured description of a set of preliminary ideas and an outline of a proposed project. This is written before you commit to detailed project design and proposal development.
Planning the project design	A calendar detailing all activities in project design, such as stakeholder analysis, assessments, etc. For each activity, assign responsible person and determine budget.
Completing a stakeholder analysis	A process that enables you to identify important stakeholders and to decide how best to involve them at different stages of designing, establishing, and implementing the project M&E system.
Undertaking necessary assessments	Assessments gather information for project design decisions. This will help you to understand a situation in terms of geographic, political, social, economic, and cultural concerns.
Analyzing and setting project objectives	Identification of the range of possible objectives for the project you are designing. Objectives should be analyzed by asking, "Why have you selected these project objectives?"
Reviewing different project strategies	There are likely many possible strategies for accomplishing your objectives. In agriculture, for example, there are many approaches to inproving productivity. It is at this point in the process that you will decide which specific approaches will be used in this particular project.

The project M&E system is founded on the project design work. The remainder of this chapter will guide you through the following three business processes[1] required for high quality M&E:

1. **Developing the M&E framework** during project planning for inclusion in the project proposal submitted to donors. This design work provides a strong foundation for establishing a project M&E system once an award has been made.
2. **Establishing the M&E system** based on commitments made in the proposal regarding objectives and indicators.
3. **Implementing the M&E system** so that project staff can manage the project as well as document and learn from the results.

High-quality projects depend on careful monitoring of activities and outcomes in order to track progress toward a positive impact on the lives of the poor and marginalized. Data collected during project implementation support project managers who make sometimes difficult operational and strategic decisions. Quality M&E is also essential to capture lessons learned in order to manage, apply, and share knowledge within your organization.

---

1 The processes described in the M&E chapter have drawn heavily from Catholic Relief Services materials. In particular, the following documents have been used: Hagens et al. (2009), Hahn and Sharrock (2010), and Stetson et al. (2004 and 2007).

WHAT FUNCTION DOES M&E SERVE?

Monitoring: High-quality monitoring of information encourages timely decision-making, ensures project accountability, and provides a robust foundation for evaluation and learning. It is through the continuous monitoring of project performance that you have an opportunity to learn about what is working well and what challenges are arising. Job descriptions of staff involved in managing and implementing projects should include assigned M&E responsibilities.

Evaluation: Depending on its specific purpose, a high-quality evaluation provides information that enables you to improve an ongoing project, judge the overall merits of a project, or generate knowledge about what works and what doesn't to influence an organization's strategy and policy.

Most evaluations will consider one or more of the following criteria:[2]

1. *Relevance* – Did the project address the needs of community members?
2. *Efficiency* – Did the project do so in a manner that was as low-cost as possible?
3. *Effectiveness* – Did the project change existing practices in a beneficial manner?
4. *Impact* – What was the effect of those changes?
5. *Sustainability* – Are the changes sustainable?

While monitoring naturally includes elements of evaluation, there are clear differences between the two processes. Table 10.2 outlines those differences.

JOE WEBER/CRS

Members of the St. Patrick's All-Stars marching band in Old Harbour Bay, Jamaica, after Hurricane Dean in September, 2007.

2 For further information on these five evaluation criteria, see OECD/DAC (1991).

TABLE 10.2 Differences Between Monitoring and Evaluation

MONITORING	MID-TERM OR FINAL EVALUATION
Provides information enabling management staff to assess implementation progress and make timely decisions.	Relies on more detailed data (e.g., from surveys or studies) in addition to that collected through the monitoring system to understand the project in greater depth.
Is concerned with verifying that project activities are being undertaken, services are being delivered, and the project is leading to the desired behavior changes described in the project proposal.	Assesses higher level outcomes and impact and may verify some of the findings from the monitoring. Evaluations should explore both anticipated and unanticipated results.
Is an internal project activity.	Can be externally led (particularly end-of-project evaluations), though they should involve the active participation of project staff.
Is an essential part of good day-to-day management practice.	Is an essential activity in a longer-term dynamic learning process.
Is an essential part of day-to-day management and must be integrated within the project management structure.	Is important for making decisions on overall project direction.
Takes place during the implementation phase.	Occurs at pre-determined points during implementation. Other smaller evaluations may be undertaken to meet specific information needs throughout the process.
Generally focuses on the question "Are we doing things right?"	Generally focuses on the question "Are we doing the right thing?"

M&E is a support activity intended to enhance the work of those involved in project management and implementation. M&E must never become so burdensome that it slows down implementation. If this is the case, revisit the M&E system set up during detailed implementation planning, and always ask if too much information is being collected or if enough time, staff, and financial resources have been allocated to collect the important data.

SUMMARY OF THIS GUIDE

Business Process 10.1 explains in three steps how to develop the Results Framework, Logical Planning Framework, and an M&E narrative.This section assumes that the initial project design work has already been completed. The steps outlined in Business Process 10.1 will enable you to establish a comprehensive M&E system.

Step 10.1.1 breaks down the development of an M&E system into easily understood parts for development of an M&E Operating Manual. Step 10.1.2 describes a process to ensure the active participation of community members in designing an M&E system and Step 10.1.3 outlines a process to make the system operational, including the field-testing of the system. Maintaining a transparent and participatory process helps to make certain that each staff member has a clear understanding of the project and his or her role in the project's monitoring, evaluation, and learning activities.

Business Process 10.2 describes the business process to establish an M&E system once an award has been made. It builds on Step 10.1 and ensures that a project's objectives and their indicators are linked to a coherent system to collect, analyze, and report on data.

Business Process 10.3 discusses import steps in the implementation of an M&E system. Step 10.3.1 shows how to manage quantitative and qualitative data. Step 10.3.2 provides advice on planning, managing, and communicating evaluations that offer significant learning opportunities for project staff. Finally, Step 10.3.3 emphasizes that, because of the time and money involved, M&E should be driven by a consideration of how the collected information will be used.

KEY PRINCIPLES OF THE M&E FUNCTION

As agents of development you stand in service to the poor and marginalized. Your responsibility is to engage and empower communities in programs that improve and enrich their lives. You are entrusted with significant resources to support humanitarian and development efforts for which you are held accountable. Undertaking good quality M&E will promote better learning and strengthen accountability to stakeholders.

Undertaking good quality M&E will promote better learning and strengthen accountability to stakeholders.

M&E is guided by the following key principles:[3]

1. *Systematic Inquiry* – Staff conduct site-based inquiries that gather both quantitative and qualitative data in a systematic and high-quality manner.
2. *Honesty/Integrity* – Staff display honesty and integrity in their own behavior and contribute to the honesty and integrity of the entire M&E business process.
3. *Respect for People* – Staff respect the security, dignity, and self-worth of respondents, program participants, clients, and other M&E stakeholders.
4. *Responsibilities to Stakeholders* – Staff members articulate and take into account the diversity of different stakeholders' interests and values that are relevant to project M&E activities.

Some important ethical dimensions of M&E activity are discussed briefly in Hagens (2008).

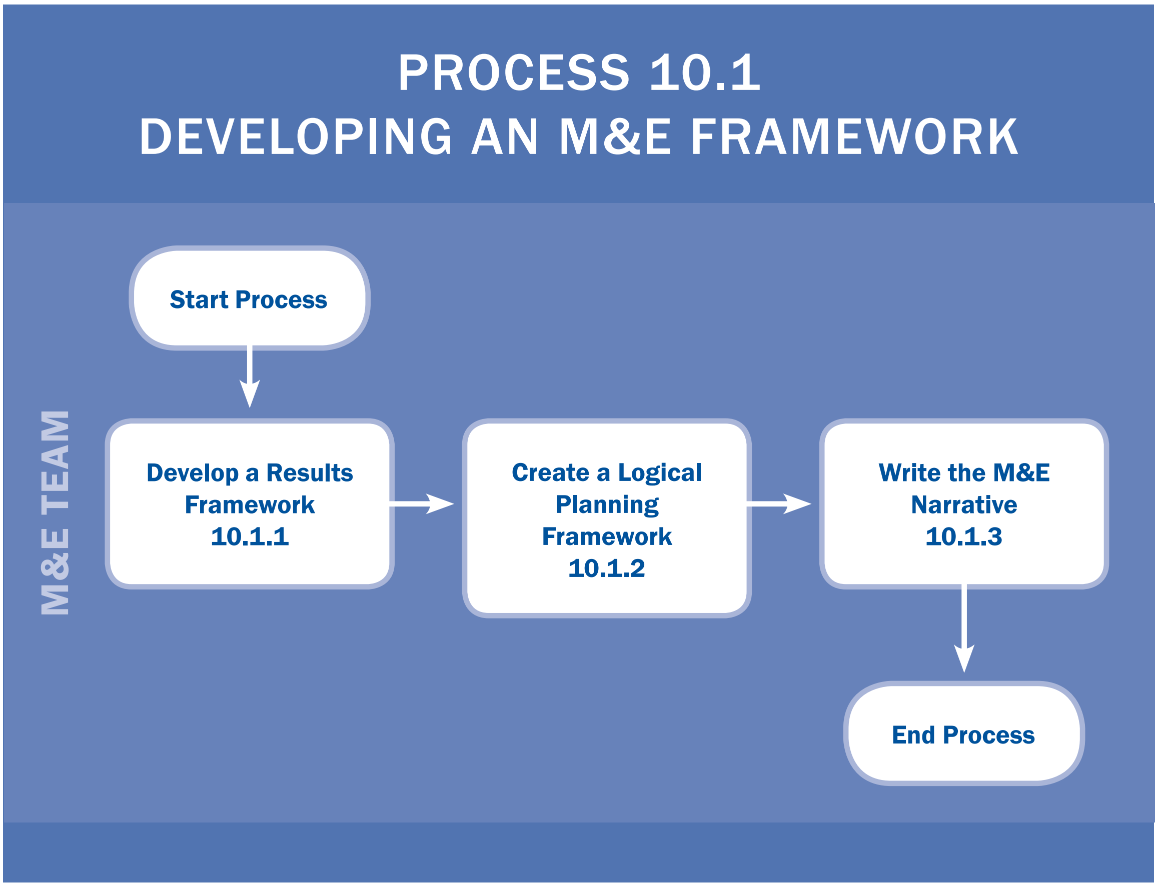
3 Adapted from American Evaluation Association (2004).

M&E BUSINESS PROCESS 10.1 - DEVELOPING AN M&E FRAMEWORK

PROCESS DESCRIPTION

You have learned that the project's M&E system is built on the work undertaken during project design. It is now time to develop the M&E framework. A key feature of this work is the identification of a set of objectives, structured in a manner that provides a firm foundation for the design, establishment, and operation of the M&E system. A number of M&E tools can be used to develop the M&E framework; this section describes two of the most well known M&E planning tools and provides guidance on how to develop a narrative describing the M&E system for inclusion in the project proposal.

PROCESS FLOW



STEP 10.1.1 – DEVELOP A RESULTS FRAMEWORK

STEP NAME	DEVELOP A RESULTS FRAMEWORK
Step Number	10.1.1
Inputs	Completion of the project design elements *Appendix A: Example Results Framework* *Appendix B: Master Translator*
Outputs	Results framework
Roles	Project design team – configuration of technical and management staff and other stakeholders who can contribute to the design of the project and may be involved in project implementation. An M&E specialist can facilitate this step.
Integration Points	N/A
Summary	A results framework provides a graphical representation of your project. It summarizes the key elements of your project by linking different levels of objectives showing a cause and effect relationship.

A results framework (see *Appendix A: Example Results Framework*) is an excellent planning tool because it encourages clear, strategic thinking in the project design phase. It provides you with a one-page overview of the heart of the project. It is often used by those not directly involved in a project to get an accurate overview of the project's primary purpose and key interventions.

A results framework provides a snapshot of the different levels of the project objectives. It shows a vertical arrangement of levels of objective statements—known as an "objectives hierarchy"—and allows the reader to see how success at one level can lead toward success at the next. The results framework reflects the project's strategy, also known as "theory of change," which describes show the project design team thinks the project is going to work.

The hierarchy reflects the following levels of objectives:

- *Goal* – This is the long-term development objective to which this project contributes.
- *Strategic Objective(s)* – This is arguably the most important level of objective because it states the purpose of the project. The strategic objectives outline the benefits to be enjoyed by the target group(s) upon successful implementation of the project.

- *Intermediate Results* – These reflect the uptake/use of project outputs by participants, usually reflecting a behavior change.
- *Outputs* – These are the project's deliverables such as increased knowledge and skills of farmers, changed attitudes, or delivery of other benefits. Include outputs in the results framework because they represent specific interventions of the project and clarify the proposed strategy.
- *Activities* – Although not present in the results framework, these are shown in the logical planning framework (see step 10.1.2.) These are the tasks undertaken, reflected in the project's annual action plan. Activities are never presented in a results framework but are included in the logical planning framework, which is presented in the next step.

*Appendix A: Example Results Framework*is a modified results framework from a Catholic Relief Services (CRS) project. In this example, we see that the Strategic Objective (SO) states the primary purpose of the project, i.e. that farm families will be enjoying increased agricultural productivity and incomes by the end of the project. Achieving the SO is a feasible ambition given the resources available and the duration of the project. The Intermediate Results (IRs) reflect the changes necessary to current practices if the SO is to be achieved. In the example the IRs indicates an expectation that no-till agriculture practices will be used, that farmers will adopt improved approaches to natural resource management, and that they will organize themselves to market their produce. The project's theory of change is that if these three IRs are achieved, then agricultural productivity and incomes will increase.

As you start to develop your understandings of results frameworks, consider the following:

- *Start early* – Draft a results framework early in the project design stage, soon after your assessment and problem analysis. This will allow you to clearly lay out your thinking regarding your theory of change. Include the results framework in your project ideas note.
- *Allow time* – The results framework appears simple but takes time. Your initial version will likely be revised during the design process. Such revisions reflect the discussions and debates that will occur as the objectives of the project become more focused.
- *Use it as a snapshot* – Use the results framework to bring clarity to your thinking. Do not over-complicate it – the results framework should be kept as simple as possible. Do not have more than three strategic objectives.
- *Do not be intimidated* – The more you use results frameworks the more comfortable you will be with them.

PHOTO COURTESY OF MARYLYNN HEWITT

Vulnerable groups suffer disproportionately from upheaval in the Middle East.

- *Be mindful of the terminology* – It is important to note that every donor has its own terminology for describing the different levels in an objectives hierarchy (see *Appendix B: Master Translator*.) Always check for the latest information in this regard.

Use the Example Results Framework and the outputs from the project design effort to develop a results framework that reflects your proposed project design and strategy.

STEP 10.1.2 – CREATE A LOGICAL PLANNING FRAMEWORK

STEP NAME	CREATE A LOGICAL PLANNING FRAMEWORK
Step Number	10.1.2
Inputs	Results framework *Appendix C: Cheat Sheet for Working with Logical Planning Frameworks* *Appendix D: Example Logical Planning Framework*
Outputs	Logical planning framework
Roles	Project design team – configuration of technical and management staff and other stakeholders who can contribute to the design of the project and may be involved in project implementation. An M&E specialist can facilitate this step.
Integration Points	N/A
Step Summary	There are many variations of the logical planning matrix but they usually include the objectives hierarchy described in Step 10.1.1, related performance indicators and associated measurement methods, and critical assumptions that underpin the logical upwards progression of the framework.

A logical planning framework is a matrix that allows you to further develop the work you did in Step 10.1.1. While the results framework is a snapshot of a project's higher-level objectives, the logical planning framework provides information about its activities, the performance indicator(s) for each objective, a brief description of how data will be measured or collected, and any critical assumptions that underpin the project's theory of change. The matrix used in the logical planning framework is shown in Table 10.3.

TABLE 10.3 Logical Planning Framework Matrix

Objectives Statements	Performance Indicators	Measurement Methods/Data Sources	Critical Assumptions
Goal			
Strategic Objectives			
Intermediate Results			
Outputs			
Activities			

Source: Stetson *et al*. 2004: 99.

Constructing a logical planning framework follows a general pattern, but it is also an interactive and dynamic process in which you will develop many drafts before finalizing one. The essential tasks for completing a logical planning framework are as follows (see also *Appendix C: Cheat Sheet for Working with Logical Planning Frameworks*):

1. **Fill in column one**. Use your results framework developed in Step 10.1.1 to fill in the first column with the goal statement, strategic objectives, intermediate results, and outputs. In *Appendix D: Example Logical Planning Framework* you see that the objectives in the results framework have been copied into column one of the logical planning framework. Add the activities for each of the outputs; do not list detailed activities but major categories such as "train women farmers on improved seeds" and "develop manual on promoting girls' education."
2. **Fill in column four**. Work upwards to complete column four. Critical assumptions represent those factors that lie outside the control of the project yet underpin its ultimate success. For example, the success of a project may be built on the critical assumption that a stakeholder will fulfill its commitments; failure to do so would jeopardize that success. See the *Example Logical Planning Framework*. **If** farmers form associations and are sensitized to the advantages of no-till agriculture (Activities) **and** the village

chiefs approve access to land for demonstration plots (the critical assumption linking Activities to IR), **then** the famers will see how no-till agriculture improves productivity compared with traditional methods. Critical assumptions are most important at the lower level of objectives because this is where assumptions about uncontrollable events have the most influence. Based on your discussions about critical assumptions, you may need to revisit column one to add other activities to lessen the risk to the project.

3. **Fill in columns two and three**. Start from the top and work down because, in the process of selecting performance indicators and measurement methods, you may find objectives that cannot be measured as stated and therefore need revision. This, in turn, may require revision of others farther down the matrix. Include a balance of both quantitative and qualitative data. It can take time to decide on all of the indicators and measurement methods and then ensure they match the objective statement. Take sufficient time to complete these columns, because they are the driving force for your project's M&E system. Note that the heading for Column 3 in the *Example Logical Planning Framework* indicates that all the indicator data will be described in the M&E Operating Manual (see Step 10.2.1.) Note too that there can be more than one indicator for a single objective.
4. **Finalize the logical planning framework.** Once you have finished the framework, reconcile any change in objective statements with those in the draft of the results framework.

HOLLY INURETTA/CRS

Volunteers of Caritas Concepción pack clothing kits that have been prepared to assist people displaced in the aftermath of the earthquake and ensuing tsunami that hit Chile in 2010.

STEP 10.1.3 – WRITE THE M&E NARRATIVE

STEP NAME	WRITE THE M&E NARRATIVE
Step Number	10.1.3
Inputs	Results framework Logical planning framework
Outputs	M&E narrative
Roles	Project design team – configuration of technical and management staff and other stakeholders who can contribute to the design of the project and may be involved in project implementation. An M&E specialist can facilitate this step.
Integration Points	N/A
Step Summary	Use the outputs of Step 10.1.1 and Step 10.1.2 to develop an M&E narrative. The narrative will add detail to the monitoring and evaluation outlined in these previous steps. Topics are proposed for the M&E narrative but donor guidance should be used if provided.

In the narrative, you will describe the project monitoring system and planned evaluations. Readers of the M&E narrative should be able to judge the appropriateness of your plans, and to have confidence in your ability to undertake the proposed M&E activities. It is likely that donors will have their own specific requirements for the content of the M&E narrative, so donor guidance should be followed where applicable.

Broadly speaking, the M&E narrative should describe your plans for the following:

- Project monitoring
- Baseline, mid-term and final evaluations

Project Monitoring

The narrative will be based on the completed results framework and logical planning framework. It describes the proposed system that will ensure performance indicator data are collected, analyzed, and reported. The M&E narrative is an opportunity to describe in more detail the methods that you are intending to use to collect and analyze data, and report ongoing project progress and achievement of the strategic objectives. The narrative should describe the participation of beneficiaries in the M&E system so that their contributions can inform internal decision-making and project reporting.

The narrative will include a description of how the data generated will be used by project staff to assess the need for modifications to planned project operations. It is important to briefly describe your plans for internal project meetings and other reflective events that will utilize information generated by the project monitoring system.

Depending on the scale and complexity of the project, it may be useful to include other M&E tools that further define the M&E system, including the two listed below:[4]

- *Indicator Performance Tracking Table* – to provide details of the baseline values (where available) and performance targets that have been set for each year of the project for large-scale projects. For smaller projects, it may be simpler to integrate the target information with the performance indicator statement in the second column of the logical planning framework.
- *M&E Calendar* – to provide a detailed schedule for the M&E activities and events you are planning, including the establishment of the M&E system itself (see Step 10.2.1).

Baseline, Mid-term and Final Evaluations

The project's size and complexity will to a large extent determine how the baseline and final evaluations are best conducted. Usually, external M&E service providers conduct the final evaluation. The narrative will indicate when you expect to undertake both the baseline and final evaluations and an outline of the evaluation method you will use.

You may decide that the project duration merits a mid-term review. Use the narrative to describe its purpose, the kind of information that you would expect it to generate, and how that information will be used to guide subsequent project operations.

You have now completed the process for developing the framework for your M&E system. In the next section, you will learn how to establish the M&E system once the award has been made.

4 Both tools are described in Chapter IV of Stetson et al. (2004.)

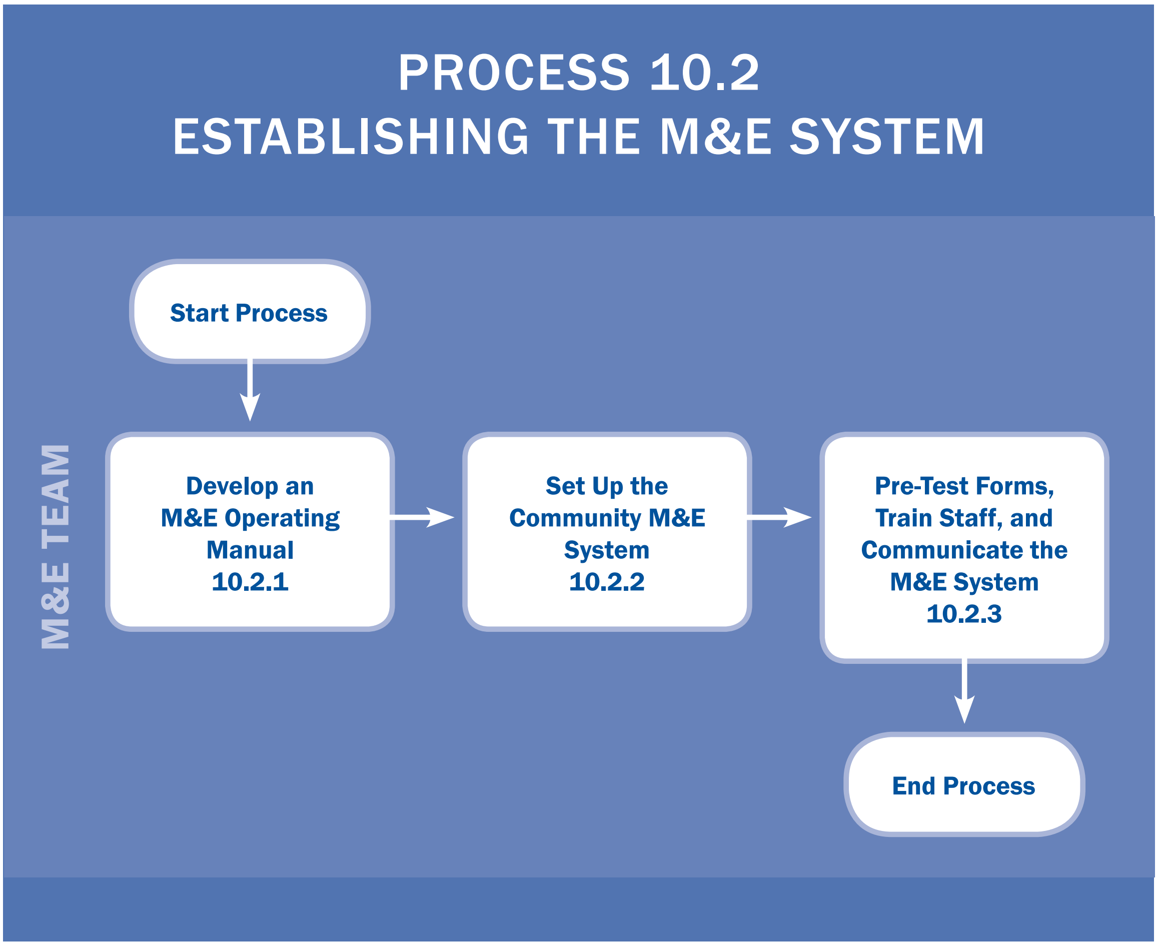
M&E BUSINESS PROCESS 10.2 - ESTABLISHING THE M&E SYSTEM

PROCESS DESCRIPTION

In Business Process 10.1, you laid the foundation for the establishment of the M&E system. You defined project objectives, their indicators, and how those indicators would be measured. In Process 10.2, you will learn about the essential steps to establish an M&E system that connects the defined indicators with the forms required to collect and report on data. This M&E system incorporates features for learning and decision-making based on robust and reliable evidence.

Project M&E systems are best when they balance the needs of project staff and donors in generating timely field-level information on progress and success with those of community members to influence project learning, direction, and ultimately learning. These are critical elements of a high performing, dynamic learning organization.

PROCESS FLOW



STEP 10.2.1 – DEVELOP AN M&E OPERATING MANUAL

STEP NAME	DEVELOP AN M&E OPERATING MANUAL[5]
Step Number	10.2.1
Inputs	All the relevant documents that were developed for the project proposal *Appendix E: Example Data Flow Map* *Appendix F: Example Instruction Sheet* *Appendix G: Example Communication and Reporting Map* *Appendix H: Sample Prompt Questions for Learning to Action Discussions*
Outputs	Hard and soft copy of all documents in the M&E operating manual including data-gathering forms and report formats. See Table 10.4 below for a full list of documents in the manual.
Roles	Staff assigned with M&E responsibilities Program and technical specialists Senior staff member or external advisor appointed to facilitate the process
Integration Points	Finance Human Resources Procurement (for in-kind projects)
Step Summary	The M&E Operating Manual contains all of the documents needed to implement the M&E system. While this work takes time, it will ensure that your data are collected and analyzed in a comprehensive and rigorous way. The manual includes steps to ensure the data are turned into useful information that is used in making decisions about project direction and in reporting on project results and impact.

The M&E system is the backbone of the project because the objectives and their indicators are linked to a transparent system to collect, analyze, and report on data. By carefully designing and developing the data-gathering tools for M&E you ensure that all required data are collected and extraneous data are not. The system will include mechanisms to turn data into useful evidence that supports sound project decision-making and ensure that all staff members have a clear understanding of the project and their role in M&E.

All of the documents developed for the M&E system will be organized into an M&E operating manual. This manual becomes the central source of information about your M&E system. The manual should be made available in a ring binder

5 See Hahn and Sharrock (2010) for a more detailed description about the content and process of an M&E Operating Manual.

as well as electronically. Both hard and soft copies should be shared with others when step 10.2.1 is finished. Assign a staff member the responsibility for keeping the hard and soft copies of the manual updated.

Experience has shown that it is best to meet with a small group of project staff including M&E, management, and technical to draft the first version of the M&E operating manual. Request a facilitator who can help manage the process and oversee the development of the manual.

Table 10.4 lists the documents that represent the key elements of your M&E system. Include the appropriate documentation for each element in your M&E operating manual, organized under three headings as seen in the table.

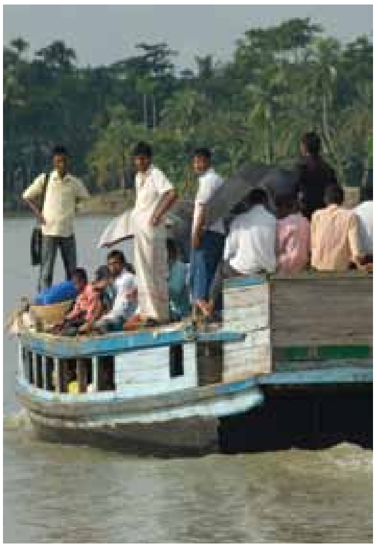
TABLE 10.4 Key Elements of the Project M&E System

M&E SYSTEM ELEMENT	M&E OPERATING MANUAL DOCUMENTATION
Component 1: Getting Organized	
Table of Contents	List all of the documents in your project M&E operating manual in a Table of Contents with the correct title and date of the most recent version.
M&E Purpose Statement	In writing this brief statement, answer the broad question of why you are setting up an M&E system for this particular project. There will be more obvious reasons (e.g., to monitor and report progress), but also less obvious ones, such as your desire to experiment with new community-based approaches.
Stakeholder Analysis	This builds on the stakeholder analysis conducted during project design. Revisit the list and identify the information stakeholders need. Check the indicators to ensure that you are collecting this information. The list will also be used in your communication and reporting plan.
M&E Working Group	List those people who agree to help oversee the operation of the M&E system, along with a list of tasks they plan to address.
Component 2: Setting Up	
Results Framework	Review output from step 10.1.1
Logical Planning Framework	Review output from step 10.1.2
Indicator Performance Tracking Table (IPTT)	The IPTT may have been developed earlier for inclusion in the project proposal. It shows indicator targets and accomplishments for each year of the project. If available, the earlier draft will be reviewed; if not, the IPTT may have to be developed as part of step 10.2.1[6].

6 For further information on IPTTs, see Stetson et al. (2004, pp. 140–143) and Willard (2008a).

Detailed Implementation Plan, Including M&E	An M&E calendar/schedule may have been prepared earlier for reference in the M&E narrative of the proposal. The annual detailed implementation plan builds on this by listing activities and the people responsible for them for each project output. It also contains detailed activities for setting up and operating the M&E system.
Component 3: Designing Forms and Reports	
Data Flow Maps	Data maps show the flow of indicators through the data-gathering forms and report formats and how they are connected. The maps ensure a process for collecting data for the indicators listed in the project proposal. Depending on the scale and complexity of the project, there may be several data flow maps. See *Appendix E: Example Data Flow Map*.
Data-Gathering Forms	These forms are created to collect data based on the data flow maps. These may include monitoring forms, medical records, or survey questionnaires. There may be existing forms that you can already use.
Report Formats	These are created to be filled out by project staff or project participants to transmit data and information to the next reporting level, including the management team and the donor.
Instructions Sheets	These provide clear instructions on how to fill out each item in the data-gathering forms and report formats. See *Appendix F: Example Instruction Sheet*.
Communication and Reporting Maps	These diagrams show the flow of reports and other communications to all relevant stakeholders, including responsible persons and dates. See *Appendix G: Example Communication and Reporting Map*.
Learning to Action Discussions	This is a list of questions that might be posed to prompt productive discussion and analysis of the data and action required. *Appendix H: Sample Prompt Questions for Learning to Action Discussions* lists prompt questions that provide a structure for analyzing data and discussing their implications for responsive project management with all levels of stakeholders. For more discussion on Learning to Action Discussions see Step 10.3.3.
Capacities and Resources	All too often M&E is under-resourced. An effective M&E system requires human resources, staff training, funding, and material resources. Staff with M&E responsibilities must have the knowledge, skills, tools, and support to undertake their respective tasks. This should be discussed with your colleagues who have been assigned HR and Finance responsibilities.
Reports and Evaluations	Progress reports are an important vehicle for analyzing, summarizing, and communicating monitoring data to different stakeholders. You will already have discussed reports and evaluations as you worked on the data flow maps, data-gathering forms, and report formats. These reports and evaluations ultimately represent key outputs from your M&E system once it is up and running.

DAVID SNYDER FOR CRS



A boat navigates a river near a CRS-supported rehabilitation project in southern Bangladesh.

With guidance from the M&E Working Group, periodically review the M&E system to confirm that it is providing useful and timely information. If the M&E system is not effectively providing a service that meets the needs of staff and other stakeholders, take the opportunity to assess why this might be the case and seek possible solutions.

STEP 10.2.2 – SET UP THE COMMUNITY M&E SYSTEM

STEP NAME	SET UP THE COMMUNITY M&E SYSTEM
Step Number	10.2.2
Inputs	M&E operating manual
Outputs	Community members engaged with the collection and analysis of data for a project that impacts their lives.
Roles	Project M&E Technical staff
Integration Points	N/A
Step Summary	Implement a system for listening to and learning from community members and for responding to their concerns in a transparent manner. The community M&E system is part of the data flow map. Staff will need training in supporting communities to manage their M&E systems.

Individuals and communities are the primary stakeholders of the project, but accountability to them is often overlooked. Community engagement allows communities to play a more active role in project management, reflect upon progress, and assess changes in their situation. Community involvement in monitoring also builds the community's capacity to direct their own development, increases the community's sense of ownership of the project, and builds accountability and transparency.

Engage communities in indicator definition, data collection, and analysis

Many of the project's performance indicators are collected at the community level. What role does the community have in collecting and analyzing this information? Use those indicators as the starting point for the community M&E system, but plan to spend time meeting with community members to make sure that their information needs are being addressed.

Include communities in the interpretation of monitoring results. Hold regular meetings with community members to discuss and interpret these results against the project's monitoring questions and information needs.

Train staff to work with communities

Ensure that staff can train and support communities in their roles and responsibilities. Supervisors and managers can support these efforts during site visits and community meetings.

STEP 10.2.3 – PRE-TEST FORMS, TRAIN STAFF, AND COMMUNICATE THE M&E SYSTEM

STEP NAME	PRE-TEST FORMS, TRAIN STAFF, AND COMMUNICATE THE M&E SYSTEM
Step Number	10.2.3
Inputs	M&E operating manual, including data-gathering forms, instruction sheets, report formats, and a communication and reporting map
Outputs	Project staff members who are well informed about the M&E system and competent to carry out their responsibilities.
Roles	Staff with assigned project M&E responsibilities Project staff who will be responsible for collecting monitoring data Project managers
Integration Points	N/A
Step Summary	The data gathering forms and report formats are pre-tested using the draft instruction sheets to ensure that consistent data are collected across the project. All data-gathering staff members need to be trained on the system and feel competent to carry out their responsibilities. All project staff members, particularly supervisors and managers, should understand the M&E system and understand their roles in the system.

The M&E operating manual (Step 10.2.1) is complete, but forms and processes may change as the M&E system is implemented. Changes may also occur as you train staff on the use of the system and as you inform all staff about the system and how it will work. Each time a change is made, the relevant tools need to be tested and adjusted if necessary. The M&E operating manual is also updated with the new or revised tools.

Pre-test data-gathering forms

Data-gathering forms need to be tested in the field to ensure that they are capturing the right information and that those people collecting the data understand the forms. Project staff members who use the forms should be part of the testing team. Through field testing, you identify questions that are unclear, ambiguous, or otherwise not likely to yield desired information.

Work with these same staff members to test the reporting formats. Field staff and volunteers are often responsible for collecting and reporting on the source data for much of the project's monitoring system. Work through the report formats with them so they clearly understand the formats and how to use them.

Field test each tool in a nearby community to avoid extended travel time. Following the field test, hold a team discussion to solicit feedback on how the tools worked overall and any suggestions for revising or altering specific instruction sheets. Make final revisions to the instruction sheets based on this discussion.

The forms may have to be translated into one or more local languages. Spend sufficient time on this step to ensure that all data gatherers are interpreting the questions in the same fashion so data collection is consistent and reliable.

Train staff in collecting, analyzing, and reporting on data

Staff capacity to implement the project M&E system often requires significant strengthening. Even staff with extensive experience in M&E should be trained on the specific objectives, tools, and protocols for each M&E activity to ensure that there is consistency and quality.

There are three key tasks involved in planning and delivering quality staff training. You must assess and identify training needs and resources; deliver high-quality training; and follow-up, monitor and evaluate. In an initial training session, you may want to cover the following topics:

1. Objectives and overview of the project M&E system
2. Principles of data collection, including key ethical considerations[7]
3. Detailed focus on specific M&E system topics such as data-gathering forms, instruction sheets, and report formats

All staff members who collect and analyze data require training.

All staff members who collect and analyze data require training. Also include data entry staff in the training because they need to understand the structure and operation of the system as well as the data-gathering forms and instruction sheets. This will help to reduce errors and increase time efficiency during the data entry process. Hold additional training for supervisors to discuss their roles and responsibilities. Supervisors provide follow-up support to ensure the quality of the data gathered through the project monitoring system.

Communicate the M&E system to all project staff

Develop a plan to ensure that all staff members involved in implementing the project understand the M&E system and their responsibilities within it. Roles include data gathering, data entry, data analysis, report writing, and using data to manage the project. Each person needs to have a good overview of the M&E system, how it operates, and his or her specific responsibilities.This will ensure that accurate data, collected in a timely manner, are used to keep the project on track to achieve its stated objectives.

The observations and decisions of the M&E working group should also be communicated on a regular basis. Use project meetings and agency meetings to keep technical and management staff up to date on the M&E system, findings, and use of the information.

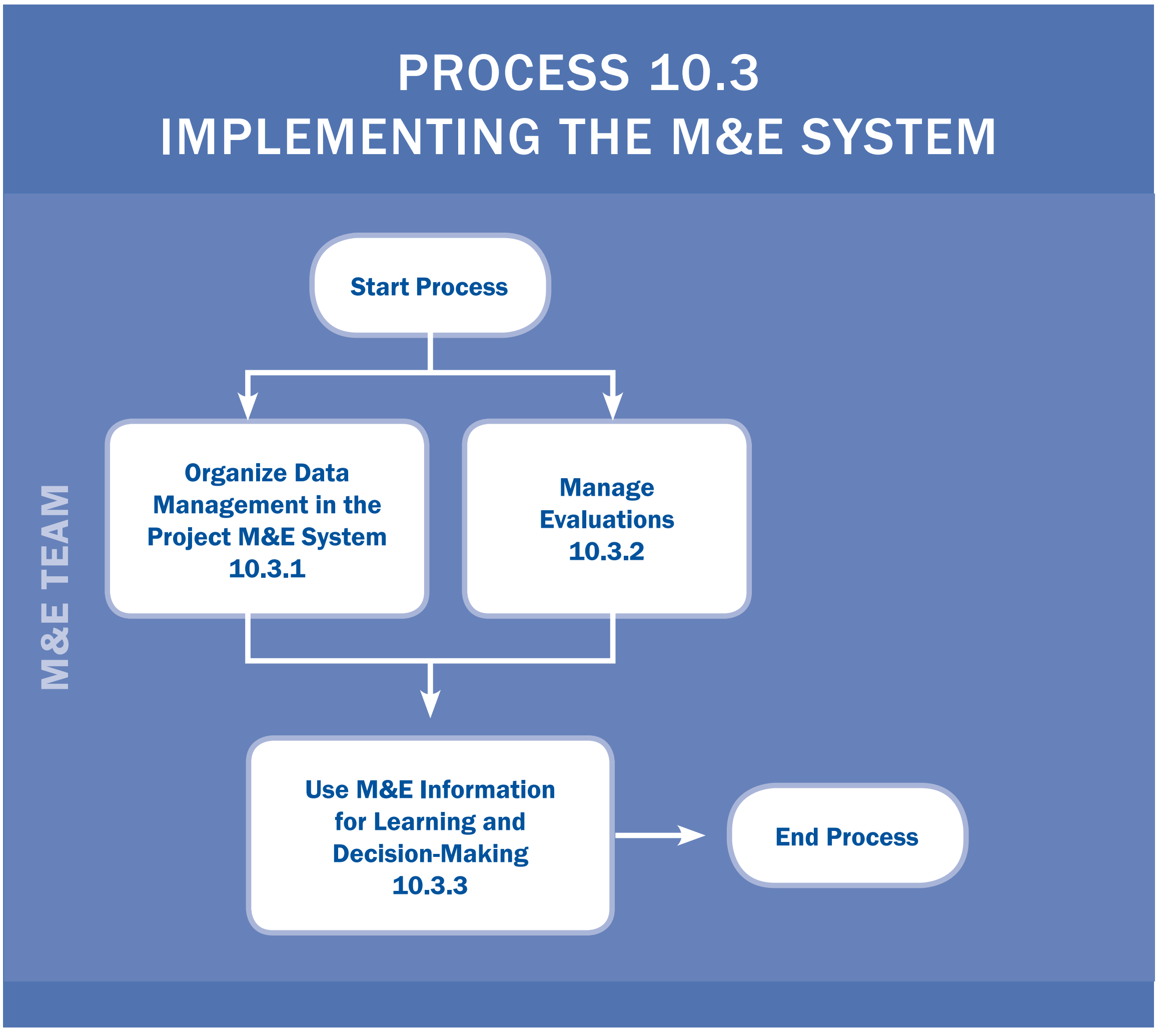
7 See Hagens (2008)

M&E BUSINESS PROCESS 10.3 - IMPLEMENTING THE M&E SYSTEM

PROCESS DESCRIPTION

In Business Process 10.1, you developed a framework for project M&E. In Business Process 10.2, you established the M&E system to ensure a transparent and carefully designed system, involving community participation, for collecting and reporting high-quality M&E data. Business Process 10.3 guides you through the key steps to implementing the system so that M&E data are organized, managed, and used to provide useful and timely information to all relevant project stakeholders.

PROCESS FLOW



STEP 10.3.1 – ORGANIZE DATA MANAGEMENT IN THE PROJECT M&E SYSTEM

STEP NAME	ORGANIZE DATA MANAGEMENT IN THE PROJECT M&E SYSTEM
Step Number	10.3.1
Inputs	M&E operating manual, including the project data-gathering forms, report formats, beneficiary records, questionnaires, etc. *Appendix I: Data Management*
Outputs	Functioning data management system
Roles	Staff with assigned project M&E responsibilities Program staff Staff with information and communication technology (ICT) responsibilities External consultants
Integration Points	N/A
Step Summary	As project implementation starts, turn your attention to managing the M&E data that the system will be generating. A database systematically transforms data into information that enables you to make decisions, review trends, and meet the information needs of your stakeholders. Develop separate databases for data from monitoring and those collected in the baseline or other evaluations. Make certain that data are entered in a way that minimizes error and ensures information is available for analysis and interpretation in a timely manner.

Set up databases to manage the flow of data and ensure that the system produces good quality and timely information. The database houses data that are checked, validated, and securely stored. Good data management enables project staff to run simple calculations to produce summaries for the purposes of analysis and interpretation (see Step 10.3.3). Step 10.3.1 is concerned with the three following main tasks:

1. Developing project M&E databases
2. Data entry and cleaning
3. Data storage

Developing a Database

1. **Determine the purpose of the database.** Do not merge monitoring and evaluation data in one database. Instead create separate monitoring and evaluation databases for the same project. See *Appendix I: Data Management* for a comparison of monitoring and evaluation databases.

2. **Check with other staff in your organization to see if there are well-functioning and efficient monitoring databases already in use**. If the structure of an existing database is appropriate for your program, use its format as a starting point.

3. **Decide on your choice of software.** The software used should be appropriate to the project's needs and resources. The common types of quantitative database software used are Microsoft Excel, Microsoft Access, and the Statistical Package for Social Science (SPSS). Your choice may be determined to a large extent by what you are already using. Nonetheless, given that new products are constantly being developed, it is advisable to consult with colleagues before coming to a decision. See also *Appendix I: Data Management* for a summary of the advantages and disadvantages of different software programs.

4. **Consider the possibility of using information and communication technology (ICT) solutions (e.g., cell phone applications) as a means to collect, analyze, and report on project data.** If you do not have experience in this area, seek advice.

5. **Design the project database to make data accessible for timely and efficient decision-making.** The database should be user-friendly for both those entering the data and those analyzing it by ensuring that the data entry and analysis processes are as simple and straightforward as possible.

6. **Include instructions concerning the database in your M&E operations manual**. This should include explanations of all variables, functions, and calculations so that new staff can easily understand and utilize the database. Also document the data entry and cleaning process so that they may be externally validated.

Data Entry and Cleaning

1. **Organize data entry efficiently so that analysis and results can quickly feed into project management and decision-making**. Create a coherent filing system to manage your data-gathering forms and consider how best to organize the data entry process so that it runs smoothly.

2. **Seek to minimize data entry error**. Minimize any differences between the data recorded in data-gathering forms and data entered in the database by training the data entry team, supervising the data entry process, and conducting regular checks. Clean the data once entered by running preliminary analyses and crosschecking any unexpected results against the data in the questionnaires.

Data Storage and Security

1. **Organize record keeping from the start.** Set up filing and record keeping systems for both paper-based forms and digitized information. Just as you have a well organized M&E operating manual, it is equally important that you develop a data-storage system that facilitates secure access.
2. **Backup your electronic data on a regular basis**. Electronic data can all too easily be lost through a computer "crashing," or through corruption that renders the data unusable. Establish a policy and system that ensures your M&E data are regularly backed up.
3. **Consider identity protection issues for target populations.** This is in accordance with the principles of honesty, integrity, and respect for people noted on page 8.

STEP 10.3.2 – MANAGE EVALUATIONS

STEP NAME	MANAGE EVALUATIONS
Step Number	10.3.2
Inputs	M&E operating manual
Outputs	Evaluation report and other communication products
Roles	Staff with assigned project M&E responsibilities Program staff Staff with ICT responsibilities External consultants
Integration Points	N/A
Step Summary	The levels of effort for baseline, midterm, and final evaluations depend on the scale and significance of the project. Your goal is to increase the quality of your organization's M&E activities through well-managed evaluations. A checklist summarizes the tasks involved in managing evaluations.

In the project proposal, plans may have been outlined for baseline, midterm, and final evaluations. These are costly and time consuming, so careful thought and planning are needed for a worthwhile evaluation.

Why evaluate? Evaluations provide detailed information of a project's progress (midterm) and achievements (baseline to final). When expectations and requirements are poorly defined or misunderstood, however, evaluations can be very stressful for staff and community members.

Table 10.5 provides a sample checklist of tasks to consider in managing evaluations.[8]

8 Readers are recommended to refer to Willard (2008b and 2008c) and Stetson (2008) for information on preparing for and managing, and reporting and communicating on an evaluation, respectively.

TABLE 10.5 Sample Checklist of Evaluation Tasks

MAJOR TASK	TASKS
Scope of Work	Scope of work drafted, reviewed by staff and management, and finalized
	Consultants identified
Personnel	Consultant references checked
	Project staff deployed (assigned & existing workload reallocated during evaluation)
	Team assembled
	Teambuilding meeting conducted
Financial	Evaluation budget developed
	Consultant fees negotiated
	Per diem and travel advances arranged for all staff
	Evaluation budget revised
	Expense report, forms, and instructions sent to consultant
Logistical	Vehicles and drivers arranged
	Translators arranged
	Lodging arranged near main office and up-country
	Airline tickets arranged
	Visa, work permits, and security clearances arranged
	Support staff and office space arranged
Relations	Stakeholders (donor, ministries) notified
	Scope of work circulated with team leader résumé
	Communities engaged in/aware of evaluation timing and purpose
	Communication schedule worked out between evaluation manager and project manager

Psychological Elements	Evaluation manager mentor chosen
	Safety valve for evaluation team developed (weekend options, half day excursions, etc.)
	Staff engaged in/aware of evaluation timing and purpose as well as implications of shifting workloads
Contractual	Contracts for consultants finalized
	Logistical arrangements finalized
	Signed copies of contracts received
Deliverables	Deliverables negotiated with consultants
	Organizational deliverables assigned with timeframes
	Review period (consolidating comments)
	Revision and approval of contract
Communication	Schedule worked out between evaluation manager and evaluation team leader (type of communication, day of the week, time, etc.)
	Schedule worked out between evaluation manager and project manager (type of communication, day of the week, time, etc.)
	Protocol for contacting local authorities developed, mechanism ready for when communities are chosen for field visits
	Communication options (local cell phones, VSAT [satellite], shortwave radio, etc.) arranged
Work plan and Timeline	Evaluation process milestones developed with consultants
	Evaluation process defined and tasks allocated among evaluation team
	Milestones mapped on calendar
	Written work plan/timeline, with tasks highlighted, distributed
Contingency Plans	Medevac insurance purchased for consultants
	Emergency contact numbers organized
	Security briefing given to consultants
	Contingency plan packet distributed (weather, political unrest, etc.)

Source: Willard (2008b)

STEP 10.3.3 – USE M&E INFORMATION FOR LEARNING AND DECISION MAKING

STEP NAME	USE M&E INFORMATION FOR LEARNING AND DECISION MAKING
Step Number	10.3.3
Inputs	Monitoring data and reports Evaluation data and reports *Appendix H: Sample Prompt Questions for Learning to Action Discussions* *Appendix J: Communicating and Reporting on an Evaluation*
Outputs	Plan to synthesize and interpret key M&E routine data
Roles	Senior Managers All project staff involved in project implementation
Integration Points	N/A
Step Summary	An M&E system stands or falls by its usefulness to the end users of the information. In this step, the focus is on identifying ways that your organization can encourage a more proactive use of monitoring and evaluation data.

An M&E system stands or falls by its usefulness to the end users of the information.

Project staff members are more likely to use M&E data if they feel confident about its quality and if the information is available in a timely fashion (see Step 10.3.1.) Their willingness to engage with the information is improved if they feel involved in the M&E process. This ensures that they better understand the data. These points increase the likelihood that staff will use M&E information for learning and decision-making.

The M&E system will produce different types of data at different points during the life of the project, as follows:

- Ongoing Project Monitoring
- Baseline, Mid-Term and Final Evaluation

Ongoing Project Monitoring Data

Use of monitoring data to assess progress regularly and make agreed-upon changes is important to the success of the project. Despite its importance, it is precisely this use of data that can often slip by project staff at all levels of the organization.

In Step 10.2.1, you developed a list of questions to prompt good discussion and analysis of the monitoring data being collected. *Appendix H: Sample*

Prompt Questions for Learning to Action Discussions should be tailored for local use. Field staff will discuss the data they have collected with their supervisors; in turn, supervisors will consolidate the data from all their field staff and discuss the aggregated data report with the person to whom they report; and so on. These are known as *Learning to Action Discussions* (LADs). Engaging with the data in this way is enriching and will inform decisions about follow-up action.

These LADs are a time set aside to understand and analyze the data and to discuss implications for the management of the project. While LADs can take place at any time in the project, it is a good practice to link the LADs to the communication and reporting map (see Step 10.2.1.) With this map, you see excellent opportunities for discussing data, findings, and their implication for next steps in the project. The LADs are particularly valuable to staff on site visits for involving community members in discussions about project progress.

With LADs, staff members are encouraged to use the data they have been collecting to reflect on their own work. Junior staff members observe that supervisors and managers use the data to make project decisions. This active use of the data serves to reinforce the collection of data and appreciation of its use in meaningful project management.

KHALIL ANSARA/CRS

In Egypt, where refugees often experience prejudice and a lack of opportunity, a "Peace Camp" brings Iraqi, Sudanese, Egyptian and other children together for summer fun.

Baseline, Mid-Term and Final Evaluation data

Data generated in evaluation surveys will provide a rich source of information for project staff. Consider the following three points:

1. **Analyze all the data collected**. All data is included in the evaluation analysis to get as complete a picture as possible.
2. **Interpret data in a way that reflects the limitations and biases of the data.** When interpreting data, do not hide any limitations or bias in the data collection methods. They are common to all data collection exercises. The best approach is to be transparent about such limitations, bear them in mind when interpreting the data, and note them in any M&E reports.
3. **Plan for an evaluation lessons learned workshop**. Discussing lessons learned offers an opportunity for invited stakeholders to validate the survey information, discuss the findings, and use this knowledge to inform decision-making.

Sharing M&E Information

Experience has shown that managing and sharing learning is important for project success. Consider the following three aspects:

- **Document and disseminate key learning points**. Record the main points from the LADs and evaluation lessons learned workshops and disseminate them to others. Each staff member will view the information through his or her own personal lens that will enrich the interpretation and learning that takes place among project staff.

- **Report back to communities and engage senior staff in the process.** Ensure that the main learning points are communicated back to community members so that they have a chance to provide new insights to project staff. Senior staff can use site visits to combine observations of project activities, discussions with members of the community, progress report reviews, and project review meetings. In addition to monitoring and communication, field visits are a good time to build relationships.
- **Think creatively about communication.** In addition to written progress and evaluation reports, there is a wide range of reporting options based on stakeholder characteristics and information needs and funding options. *Appendix J: Communicating and Reporting on an Evaluation* describes different options.

COMPLIANCE CHECKLIST FOR M&E

The M&E compliance checklist supports your efforts to reach a high standard in your M&E work by raising questions for discussion and critical review. Use the checklist to review the work you undertook in developing the M&E framework and establishing the M&E system and to help guide you through M&E system implementation.

While all projects require good M&E, the size of the project and the resources available must be considered when establishing M&E components and tailoring them to the specific needs of each project.

You will ask the following three questions regarding the M&E system depending on the timing of your review:

1. *Project Design and Planning* – Does your project have an M&E framework?
2. *Project Start-Up* – Does your project have an M&E operating manual?
3. *Project Implementation* – Are staff and other stakeholders using the data generated by your project's M&E system?

Even with a "yes" answer to your review questions, it is important to analyze the quality of the work and plan ways to improve it. The checklist in Table 10.6 can be adapted to your needs.

TABLE 10.6 Compliance Checklist Questions

Does your project have an M&E framework?	Step	Review and Analysis
Does your project proposal include a results framework summarizing the key elements of your project by linking different levels of objectives that show a cause and effect relationship?	10.1.1	
Does your project proposal include a logical planning framework that includes the objectives hierarchy from the results framework, related performance indicators and associated measurement methods, and critical assumptions that underpin the logical upwards progression of the framework?	10.1.2	
Does your project proposal include an M&E narrative that describes the project monitoring system and planned evaluations in a way that the reader can judge the appropriateness of your plans and have confidence in your ability to undertake the proposed M&E activities?	10.1.3	

Does your project have an M&E operating manual?	Step	Review and Analysis
Does your project's M&E operating manual contain all of the documents needed to implement the M&E system?	10.2.1	
Does your project have a system for listening to and learning from community members and for responding to their concerns in a transparent manner?	10.2.2	
Has your project: Pre-tested the data-gathering forms and report formats using the draft instruction sheets?	10.2.3	
Trained all data-gathering staff on the M&E system?		
Communicated the M&E system to all project staff?		

Are staff and other stakeholders using the data generated by your project's M&E system?	Step	Review and Analysis
Does your project have a monitoring and separate evaluation database to manage the data that the M&E system is generating?	10.3.1	
Are the appropriate staff members familiar with the *Checklist of Evaluation Tasks*, ensuring well-managed evaluations?	10.3.2	
Are staff members using the M&E data through LADs, evaluation lessons learned workshops, and/or other learning events?	10.3.3	

GLOSSARY

Activities

A logical planning framework term for the functions that need to be undertaken and managed to deliver the project's outputs to targeted beneficiaries and participants.

Baseline (study or evaluation)

Information on the pre-project status of beneficiary conditions against which performance indicators will be compared either at mid-term or end of project.

Communication and Reporting Maps

Diagrams that show the flow of reports and communications to all of the stakeholders, listing responsible persons and dates. If the project involves a consortium, there may be several communication and reporting maps.

Critical Assumptions

Factors that project designers cannot (or choose not to) control but that could endanger project success if assumptions about those factors are incorrect.

Data Flow Maps

Diagrams that show the flow of indicators through the data-gathering forms and report formats and how they are connected. Depending on the scale and complexity of the project, there may be several data flow maps.

Data-Gathering Forms

Forms to be filled out by project participants or staff to collect data.

Detailed Implementation Plan

Project stakeholders sometimes confuse the purposes and processes of project proposals and the more in-depth implementation plans. Project proposals do not contain the level of detail needed by project managers for project implementation and should not be used for this purpose. Once funding is obtained, comprehensive work planning takes place. Some organizations use the phrase detailed implementation plan (DIP) for the document that will guide managers in project implementation. DIPs usually include updated implementation schedules, detailed performance indicator tracking tables and monitoring plans, and other management aids for smooth project implementation.

Evaluation

A periodic, systematic assessment of a project's relevance, efficiency, effectiveness, and impact on a defined population. Evaluation draws from data collected during monitoring as well as data from additional surveys or studies to assess project achievements against set objectives.

Goal

A logical planning framework term for the longer-term, wider development change in people's lives or livelihoods to which a project will contribute.

Implement

Involves translating plans into performance by carrying out the DIP. Implementation is more than simply following a plan or recipe; it requires much discipline, judgment, and creativity.

Indicator Performance Tracking Table

Table that shows indicator targets and accomplishments for each year of the project.

Instruction Sheets

Sheets that give clear instructions on how to fill out each of the data-gathering forms and report formats.

Intermediate Results

A crucial bridge between lower- and higher-level objective statements in a results and logical planning frameworks. Learning processes are explicitly built-in to project implementation. After implementation has commenced, feedback received from project beneficiaries helps ensure that the project is on track toward achieving its strategic objectives.

Learning to Action Discussions

A time set aside to understand and analyze the data and to discuss their implications for the management of the project.

Logical Planning Framework

A planning tool to assist project design, implementation, and M&E.

M&E System

Well-organized, interdependent activities or components and clear procedures that contribute to a well-defined purpose of M&E within a project. An M&E system integrates more formal, data-oriented tasks (for example, collecting information on logical planning framework indicators) with informal monitoring and communication. It ensures that people responsible for M&E can do their jobs.

Measurement Methods/Data Sources

An important component in logical planning framework. For each performance indicator statement, a brief statement of the project's approach to capturing information is provided. This also serves as a 'reality check' on the proposed performance indicators.

Monitoring

A continuous process of collecting, analyzing, documenting, and reporting information on progress to achieve set project objectives. This information assists timely decision-making, ensures accountability, and provides the basis for evaluation and learning. Monitoring provides early indications of progress and achievement of objectives.

Objectives Hierarchy

The vertical arrangement of different levels of objective statements inresults and logical planning frameworks. One objective level is seen as the means to achieving the next higher-level objective.

Objectives Statements

The first column of the logical planning framework matrix. These statements provide a concise commentary on what the project is aiming to achieve and how it intends to do so.

Outputs

A logical planning framework term meaning the goods, services, knowledge, skills, attitudes, enabling environment, or policy improvements that not only are delivered by the project, but also are demonstrably and effectively received by the intended beneficiaries and participants.

Performance Indicators

Something observed or calculated that acts as an approximation of, or proxy for, changes in the phenomenon of interest.

Project Accountability

The notion that managers are responsible for using intermediate results as feedback to check that their project is on-track toward achieving the strategic objectives.

Project Proposal

A structured, well-argued, and clearly presented document prepared to obtain approval and funding for a proposed project strategy. It stands as the agreement among the relevant stakeholders about the analysis of the situation and the resulting plan of action.

Report Formats

Reports to be filled out by project participants or staff to report data and information to the next level.

Results Framework

An organigram that gives a snapshot of the top three levels of a project's objectives hierarchy in a way that makes it easy to understand the overarching thrust of the project.

Stakeholders

Individuals, groups, and institutions important to, or who have influence over, the success of the project.

Strategic Objectives

The central purpose of the project, described as the noticeable or significant benefits that are actually achieved and enjoyed by targeted groups by the end of project.

Theory of Change

An articulation of how a proposed project strategy will lead to the achievement of the project's Strategic Objectives.

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APPENDIX A

RESULTS FRAMEWORK
IMPROVING AGRICULTURAL PRODUCTIVITY AND INCOMES THROUGH THE NO-TILL AGRICULTURE PROJECT, DR CONGO

Goal: Poor rural communities in Manem Province improve their food security and natural resource base

Strategic Objective: Farmer families increase agricultural productivity and income

IR 1: Farmer families practice and evaluate their experiences with no-till agriculture farming systems

Outputs:

- Farmers have knowledge and skills in no-till agriculture
- Farmer groups design, install, and manage demonstration plots

IR 2: Farmers practice improved natural resource management on their farms and in common areas

Outputs

- Farmers have improved knowledge and skills in NRM
- Farmer associations develop plans to improve the natural resource base in their communities

IR 3: Farmer organizations work effectively to market their produce

Outputs

- Farmer groups gain knowledge and skills in agribusiness skill sets
    - Group Management
    - Internal Savings and Lending
    - Basic Market
    - Innovation and Experimentation

APPENDIX B

MASTER TRANSLATOR: COMPARISON OF LOGICAL PLANNING FRAMEWORKS

	WIDER OR LONG-TERM EFFECT	END OF PROJECT EFFECT	INTERMEDIATE EFFECT	OUTPUTS	INTERVENTIONS	
USAID Results Framework	Goal	Strategic Objective	Intermediate Results	(Outputs)	(Activities)	(Inputs)
AusAID	Scheme Goal	Major Development Objective		Outputs	Activities	Inputs
CARE	Program Goal	Project Final Goal	Intermediate Results	Outputs	Activities	Inputs
CIDA	Overall Goal	Project Purpose		Results/Out-puts	Activities	Inputs
CRS	Goal	Strategic Objective	Intermediate Results	Outputs	Activities	
DANIDA	Goal	Purpose		Outputs	Activities	
DFID	Goal	Purpose		Outputs	Activities	
EU	Overall Ob-jective	Project Purpose		Results	Activities	Inputs
FAO and UNDP	Development Objective	Intermediate Goal		Outputs	Activities	Inputs
GTZ	Overall Goal	Project Purpose		Results/Out-puts	Activities	Inputs
World Bank	Goal	Development Objective		Outputs	Component Activities	Inputs

Source: Stetson *et al*. (2004, p. 167), adapted from CARE original

APPENDIX C

CHEAT SHEET FOR WORKING WITH LOGICAL PLANNING FRAMEWORKS

OBJECTIVES STATEMENTS	PERFORMANCE INDICATOR STATEMENTS	MEASUREMENT METHODS/DATA SOURCES	CRITICAL ASSUMPTIONS
Goal: This describes the longer-term, wider, development change in peoples' lives or livelihoods to which the project will contribute. This could be in a given region, or in the nation as a whole. Think of the Goal as a larger, longer-term hope or aspiration. ***How to write:** Write as a full sentence, as if it has already been achieved. Use the general population of intended beneficiaries as the subject of the sentence.*	Performance Indicator Statements and associated data are drawn from appropriate, pre-existing sources such as Amnesty International, FAO, Freedom House, IFPRI, Transparency International, World Bank, UN, national government reports, and so on.	It is not necessary to complete this box.	It is not necessary to complete this box.
Strategic Objectives (SOs): These describe the noticeable or significant benefits that are actually achieved and enjoyed by targeted groups by the end of the project (EOP). These benefits are achieved due to IR-level changes that have taken place as a result of the Outputs from well-executed Activities. Each SO expresses an aim that is realistic, specific to the project, and measurable. SOs are the central purpose of the project; that is, why it was designed and implemented in the first place. ***How to write:** Write as a full sentence, as if it has already been achieved. Use the targeted primary beneficiary group(s) as the subject of the sentence.*	SO indicators reflect the benefit(s) expected to occur for beneficiary subgroups by EOP as a result of behavioral change(s) (achieved at IR-level, prompted by successful delivery and receipt of the project's Outputs).	SO indicators are generally monitored and/or evaluated via field visits as well as mid-term and final evaluations. To measure these benefits against the set targets, EOP results are always compared with the corresponding baseline findings (whether from primary measurement methods or other data sources) in the final project evaluation.	**SOs-to-Goal:** Assumptions that will affect achievement of the Goal concern: (a) the longer-run sustainability of the project; and (b) the contributions of national governments and/or other organizations that may be critical to achieving the Goal.

APPENDIX C

continued

OBJECTIVES STATEMENTS	PERFORMANCE INDICATOR STATEMENTS	MEASUREMENT METHODS/DATA SOURCES	CRITICAL ASSUMPTIONS
Intermediate Results (IRs): These state the expected change(s) in identifiable behaviors by participants in response to the successful delivery and reception of Outputs. IR-level responses may show themselves in: • changes in the rate at which project participants adopt new behaviors or skills promoted by the project; • expansion of project reach or coverage; • new ways of organizing or managing systems; • alterations to policy; or • anything else that shows project Outputs being used correctly, or perhaps also innovatively, by the targeted groups. These responses are called “intermediate” because progress at this level is a necessary step toward achieving the SOs. ***How to write:*** ***Write as a full sentence, as if it has already been achieved. Use the targeted primary beneficiary group(s) whose behavior is expected to change as the subject of the sentence.***	IR indicators focus on demonstrable evidence of a behavioral change such as adoption/uptake, coverage, or reach of Outputs. If the achievement of IRs is less than expected, project managers are accountable for understanding the reasons and making any necessary changes to project implementation.	IR indicators are generally monitored and measured via regular, ongoing data collection, including evaluations (baseline, mid-term, and final). IR indicators normally can be collected only by the project itself because they are specific to behavioral changes in response to interventions in the specific project and its action area. Secondary sources rarely exist at this level. Start with light monitoring. Continue with this light monitoring or, depending on your findings, more targeted monitoring or even special studies. At midterm, conduct a formal evaluation of IRs to that point and promptly make any course corrections indicated by the evaluation (which will include interpretation of any qualitative and quantitative data).	**IRs-to-SOs:** Assumptions at this level are those that emerged from the initial diagnostic work that resulted in the chosen design. If the IRs do indeed show adoption/uptake of the Outputs, what assumptions still underpin achievement of the SOs?

APPENDIX C

continued

OBJECTIVES STATEMENTS	PERFORMANCE INDICATOR STATEMENTS	MEASUREMENT METHODS/DATA SOURCES	CRITICAL ASSUMPTIONS
Outputs: These are the goods, services, knowledge, skills, attitudes, and/or enabling environment that are • delivered to… • demonstrably and effectively received by… …the targeted primary beneficiaries as a result of the Activities undertaken. There may be more than one Output for each IR. ***<u>How to write</u>: Write as a full sentence, as if it has already been achieved. Use the targeted primary beneficiary group(s) receiving the Outputs as the subject of the sentence.***	Output indicators remind project management what and when the project is contracted to deliver. Output indicators allow project management to track what is to be delivered when and, most importantly, to what effect. Project management is directly accountable for delivering the Outputs to those targeted.	Outputs are generally measured in terms of immediate effects of goods and services delivered, such as pre/post-training scores on tests (written or verbal) or practical assessments; organizational development and/or creation of certain structures, documents, or systems; kilometers of roads or number of schools rehabilitated; and so on. Sources for monitoring and evaluating Output indicators typically include programmatic, administrative, and management record-keeping systems.	**Outputs-to-IRs:** Assumptions at this level are those affecting adoption/uptake of the Outputs that are outside the control of project management.
Activities: These describe the functions to be undertaken and managed in order to deliver the project's Outputs to the targeted beneficiaries and participants. There may be more than one Activity for each Output. To avoid over-complicating the Proframes of large projects, only major categories of Activities need to be indicated. A complete Activity Schedule or Detailed Implementation Plan should be provided elsewhere in the project document. ***<u>How to write</u>: Use the specific CRS or partner staff (or other actors) responsible for doing the activity as the subject of the infinitive (e.g., CRS Health staff to do "X").***	Activity indicators are the easiest ones to formulate and collect because they focus on implementation progress as reflected in project and partner staff's work plans, project events, and corresponding budget expenditures. They answer questions such as: • Was the Activity completed with acceptable quality? • Was it completed as planned regarding numbers and types of items purchased and distributed? • Were the meetings held? • Were the numbers and gender of people in the target groups trained or otherwise engaged in defined project activities?	Concentrate on the most important Activities for project management purposes, rather than wasting time and resources analyzing unnecessary details. Activity indicators are typically measured through administrative, management, trainer, and financial tracking and record-keeping systems, supplemented with written summaries and reports about the problems and successes and overall quality of the Activities by trainees, partners, and other participant groups. Activities are generally monitored and evaluated via progress reports and disbursement data.	**Activities-to-Outputs:** Assumptions concern conditions that are outside the direct control of project management but must nevertheless be met for the Outputs to be delivered. The project itself should not be spending money to address any external conditions. If any project funds are allocated to addressing them, then they should be included as Activities.

Source: Stetson et al. (2004, p. 194–196)

APPENDIX D

LOGICAL PLANNING FRAMEWORK: IMPROVING AGRICULTURAL PRODUCTIVITY THROUGH THE NO-TILL AGRICULTURE PROJECT, DR CONGO

OBJECTIVES	PERFORMANCE INDICATORS	MEASUREMENT METHODS/ DATA SOURCES (Indicator data will be gathered via the project M&E System as described in the M&E operating manual)	CRITICAL ASSUMPTIONS
Project Goal: Poor rural communities in Manam Province improve their food security and natural resource base			
Strategic Objective: Farm families increase agricultural productivity and income	• Percent of project beneficiaries report an improvement in their food security and income. • Percent of households in target communities adopt no-till agriculture on their farms	• Baseline and final evaluation (FANTA quantitative data collection instruments and qualitative data) • Field data	
Intermediate Result 1: Farm families practice and evaluate their experiences with no-till agriculture farming	• Number of farm associations actively engaged in no-till agriculture plot management • Percent of area on which no-till agriculture techniques are applied on home farm • Documentation on no-till agriculture on results of each demonstration plot • Documentation of no-till agriculture and of “best bet” no-till agriculture practices	• Field data and observations; mid-term review and final evaluation • Reports from project technical staff	
Output 1.1: Farmers have knowledge of and skills in no-till agriculture	• Number of participating farmers who actively engage in weekly meetings • Number of participating farmers who actively engage in discussions on no-till agriculture demonstration plot	• Field data and focus groups	
Activities: Caritas staff to train farmers in no-till agriculture techniques and establishing demonstration plots	• Number of farmers in associations trained, disaggregated by sex and location • Number of interested farmers (not in association) trained, disaggregated by sex and location • Number of study tours and participation by farmers, disaggregated by sex and location	• Trainers’ reports • Study tour report and observation	
Output 1.2: Farmer groups design, install, and manage demonstration plots	• 42 paired demonstration plots are in operation for use by extension workers to train project farmers	• Field data	
Activities: 1. Caritas to work with farm associations to establish demonstration plot 2. Caritas to sensitize communities in target area about no-till agriculture planned activities	• Number of farmer groups that agree to work with Caritas on demonstration plots • Number of members in each farmer group, disaggregated by sex and location • Number of sensitization meetings	• Caritas monthly report	Security situation allows for travel by Caritas staff Use of land for demonstration is approved by village chief

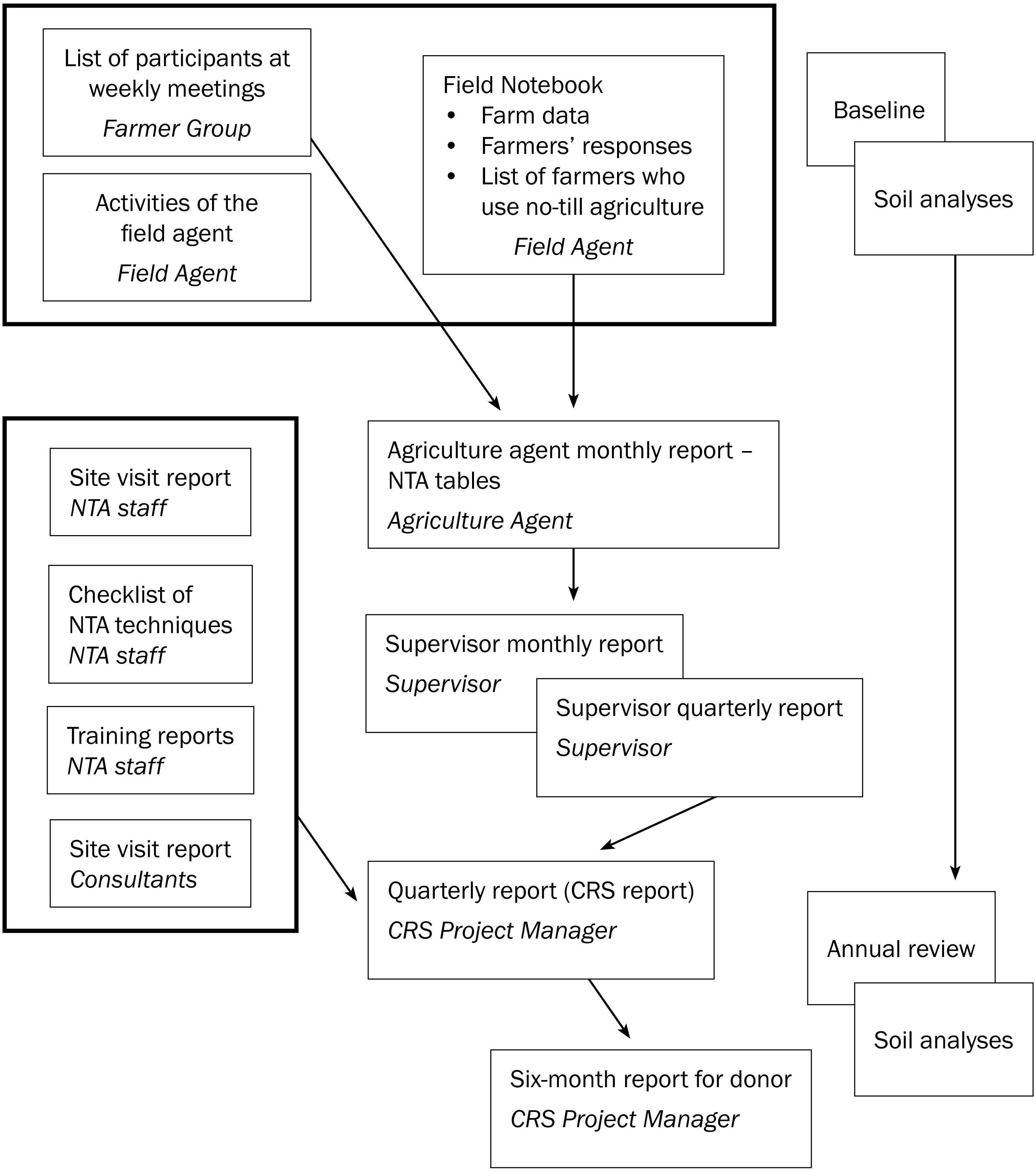
APPENDIX D

continued

OBJECTIVES	PERFORMANCE INDICATORS	MEASUREMENT METHODS/ DATA SOURCES (Indicator data will be gathered via the project M&E System as described in the M&E operating manual)	CRITICAL ASSUMPTIONS
Intermediate Results 2: Farmers practice improved natural resource management (NRM) on their farms and in common areas	• # of farmers who apply NRM techniques, disaggregated by sex • # of techniques applied • Types of techniques applies • Number of farm associations that apply NRM in common areas • Number of techniques applied • Types of techniques applied	• Field data and mid-term review	Security situation allows for access to individual farms and to common areas
Output 2.1: Farmers have improved knowledge of and skills in NRM	• Number of farmers who understand and appreciate the beneficial effects of NRM	• Trainers' reports	
Activities: Caritas to organize village-based workshops on NRM	• Number of farmers attending village classes on NRM, disaggregated by sex • Number of classes given by village	• Caritas monthly report	
Output 2.2: Farm associations develop plans to improve the natural resource base in their communities	• Number of plans developed	• Caritas monthly report	Use of these areas approved by government
Activities: Caritas to work with farm associations on options for community-based approach to NRM	• Number of sensitization meetings • # of farmer groups, by # of members, disaggregated by sex	• Caritas monthly report	Ownership of common areas is clear
Intermediate Results 3: Farm work effectively to market their produce	• Rank of each farmer group in effectiveness of agrobusiness • Improvement of rank of each over the life of the project	• Agrobusiness effectiveness checklist based on recordkeeping, savings books, profits, documented innovations and interviews, mid-term review, and final evaluation	
Output 3.1: Farm associations that gain knowledge of and skills in agribusiness skill sets • Group Management • Internal Savings and Lending • Basic Market • Innovation and Experimentation	• Number of farmer groups that form into associations for agribusiness • Number of groups that start activities based on training in each of the skill sets	• Trainers' reports and observation • Field data	Each farmer group has trusted staff who are literate and numerate
Activities: Caritas to organize series of sessions with farm associations on agribusiness practices	• Number of sensitization meetings • Number of farmer groups • Number of farmers, disaggregated by sex	• Caritas monthly report	Security situation is stable

APPENDIX E

DATA FLOW MAP: THE NO-TILL AGRICULTURE PROJECT



Source : CRS DR Congo, 2010

APPENDIX F

INSTRUCTIONS FOR THE DAILY ATTENDANCE REGISTERS

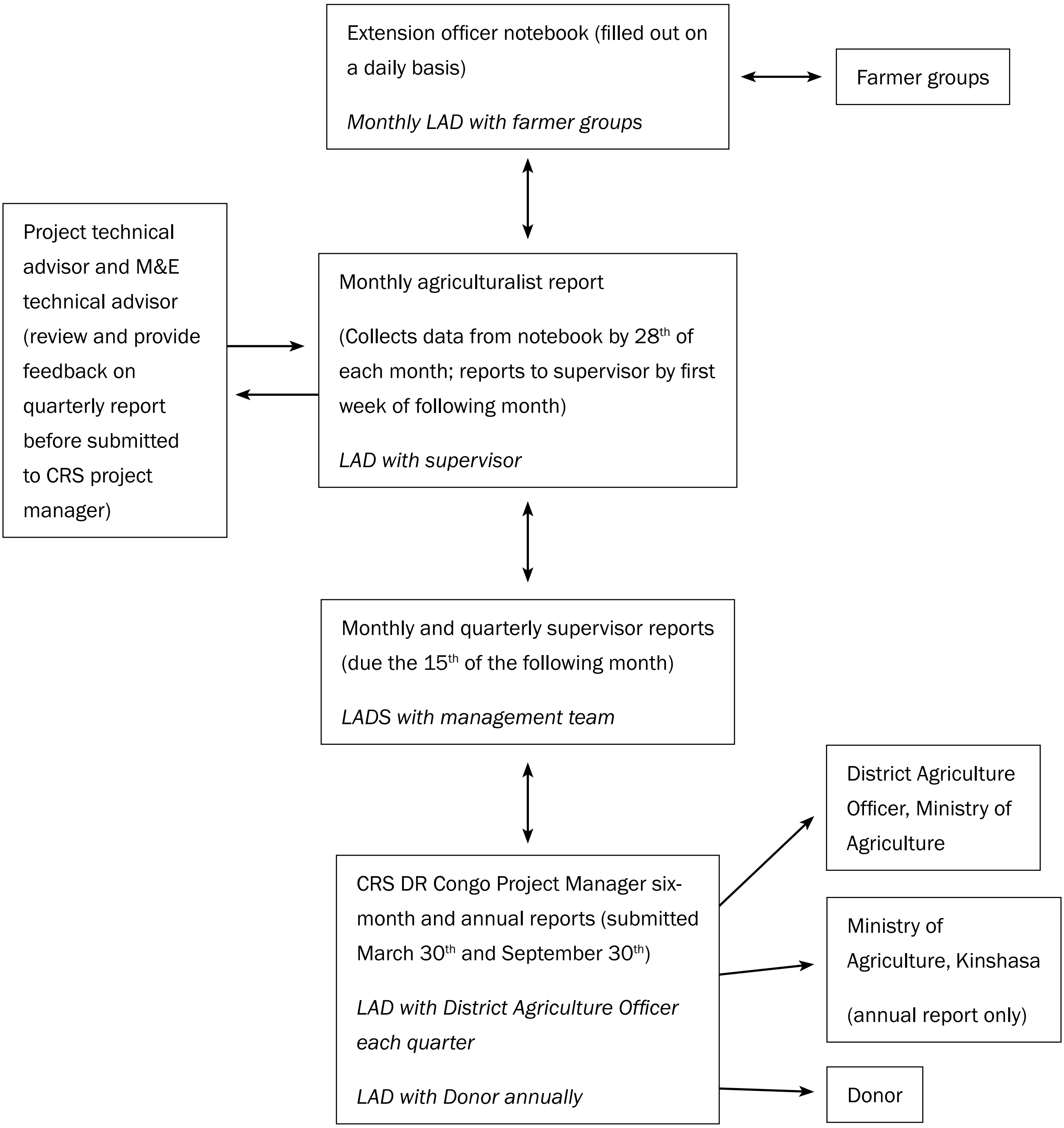
General instructions for filling out the form
• To be filled out by the school teacher in charge • To be filled out on a daily basis, completed once in the morning (8:30am) • Note there is one form for girls and another form for boys • Field agent will summarize at the end of the month and put data in monthly report

Data to be filled in by school teacher in charge	
General information	
Month/year	Enter the month and year in which the form is completed
Page	If the number of pupils exceeds the space on this page, add another form and give it a new page number
School code #	Enter the school number provided by CRS
Class	State the class; complete one set of forms for every class
Data Table	
Number	For the first time in attendance, copy the name from the attendance register
Name	Enter student name (Last Name and First Name) and use the same order for all the following months
Attendance	Write "V" for present and "O" for absent
Total	Add all the days pupils attended school
Dropout	Draw a line and write "dropout"
Transfer	Draw a line and write "transferred" when a pupil moves to another school
Temporary Absent	Write zero (0)
New Intake	Draw a thick line after the current pupil's name. Write "New Intake" and write the names of new pupils below the line
Total attendance for month	Add the total attendance for all pupils for the month and write the resulting number

Summary table to be completed by CRS
• Attendance average • Number attending less than 50 percent of school days in the month • Number attending fewer than 12 days • Number attending fewer than 10 days • Female form only: Number attending at least 80 percent of school days in the month

APPENDIX G

COMMUNICATION AND REPORTING MAP (ABRIDGED): THE NO TILL AGRICULTURE PROJECT



Source: CRS DR Congo, 2010

APPENDIX H

SAMPLE PROMPT QUESTIONS FOR LEARNING TO ACTION DISCUSSIONS

Learning

1. What did we plan for the month? Quarter? Six months?
2. What did we achieve?
   a. Review the data on the monthly data reports
      - What do these data tell us?
      - What don't the data tell us?
      - Who do the data represent?
      - Who don't the data represent?
      - What else do we need to know?

   b. Are these data consistent with our observations during field visits?
   c. Review of successes and challenges. Focus on the facts!

      Successes:
      - What is going well?
      - Why is this happening?
      - So, what does this mean?
      - How does it affect us?

      Issues/Challenges:
      - What problems/issues are we having?
      - Why is this happening?
      - So, what does this mean?
      - How does this affect us?

3. What happened (both good and bad) that we did not expect?
4. How are these results contributing to our objectives?

Action

1. What initiatives are successful?
   a. How can they be reinforced?
   b. Are there other places in the project area that might adopt these initiatives?

2. What initiatives are not going well?
   a. What needs to change?
   b. Should any activities be dropped?

3. If activities change, who needs to be informed and how do we plan this?
4. If activities change, is there a budget to support the work?
5. How best can community members be informed of our current thinking?
   a. What is the best way to inform different members of the community?
   b. What issues/questions are likely to surface?
   c. How should we respond to opportunities and concerns—how much room is there for negotiation?
   d. Which project staff and partners should be involved in follow-up discussions?

Source: Hahn and Sharrock (2010, pp. 43–44)

APPENDIX I

DATA MANAGEMENT: SUMMARY OF MONITORING AND EVALUATION DATABASES

	MONITORING DATABASES	EVALUATION DATABASES
Description	A monitoring database tracks project activities, outputs completed, and progress toward objectives. It also houses project management information.	An evaluation database is useful for analyzing assessment or evaluation data and can track progress toward the project's strategic objectives and intermediate results.
Frequency of use	Often on a monthly basis or more frequently. In an emergency response, information may be needed on a daily or weekly basis.	Based on the frequency of assessments and evaluations. Often used at project baseline, mid-term, and end.
Common source(s) of data	• Monthly activity report • Project records • Field monitoring reports	• Household surveys (baseline, mid-term, final) • Community-level surveys (baseline, mid-term, final)
Type of analysis	Sums, frequencies, percents, mean values. For example: • Number of community-wide meetings held • Percent of communities that have elected committees • Number of trainings conducted • Average number (or mean number) of attendees at community meetings	Frequencies, percents, mean values, statistical significance tests, comparisons between sub-groups. For example: • Comparison between the average number of meals per day for female-headed households and the average for male-headed households • Comparison of sources of loans (in percent) for households in the lowest socio-economic group, the middle socio-economic group, and the highest socio-economic group
Technical considerations	Can require minimal technical expertise or advanced technical skills in order to set up and utilize the database, depending on the complexity of the system.	Utilization of the database generally requires advanced analysis skills.

APPENDIX I

continued

ADVANTAGES AND DISADVANTAGES OF SOFTWARE PROGRAMS

SOFTWARE PROGRAM	ADVANTAGES	DISADVANTAGES	RECOMMENDED USE
Microsoft Excel	• The software is readily available. Most staff members have Excel on their computers. • Staff members are more likely to be familiar with the basic functions of Excel than with the other software programs.	• Few staff members are familiar with the Excel functions for more complex analyses (comparisons between groups, etc.) • Excel allows for more error in data entry or while analyzing/using data.	Monitoring databases
Microsoft Access	• The software is readily available. Many staff members have Access on their computers. • Access can be set up to print regular summary reports. • Access can create a data mask so that the data entry page mirrors the forms or questionnaires and only approved options can be entered for each variable. This can reduce data entry error.	• Programming for Access is relatively complex. • Fewer staff members have expertise in creating and maintaining databases with Access than with Excel.	Monitoring databases
SPSS	• SPSS is capable of higher-level analyses. • Data analysis in SPSS is user-friendly.	• SPSS must be purchased separately and thus requires additional funds. • SPSS allows for more error in data entry. • Few staff members have expertise in creating databases and analyzing data in SPSS.	Evaluation databases

APPENDIX J

MONITORING & EVALUATION

Short Cuts

Guidelines on Designing an Evaluation Reporting and Communication Strategy

Communicating and Reporting on an Evaluation

September 2008

Introduction

This edition of *Short Cuts* provides practical instructions on how to design an evaluation communication and reporting strategy using tailored reporting formats that are responsive to audience profiles and information needs. Most donors require midterm and final evaluations, and best practice indicates that these periodic assessments provide the most detailed information about a particular project's progress. An evaluation represents a large investment in time and funds, yet private voluntary organizations (PVOs) often report that evaluation reports are not read or shared, and in some cases, a report's recommendations are not used.

In planning a communication and reporting strategy, it is important to include a variety of reporting formats—tailored to audience information needs—to engage evaluation stakeholders in discussion and decision making. Clear, jargon-free language should be used, accompanied by graphics to help ensure the evaluations are understood, used, and contribute to organizational learning.

4 Steps to Effectively Communicate and Report on Evaluation Results

Step 1 Identify Communication and Reporting Challenges

The first step is to identify communicating and reporting challenges, and, in turn, to learn from the results. These challenges are listed in table 1.

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American Red Cross

Table 1: Communication and Reporting Challenges

Challenge	How it affects communicating and reporting
General evaluation anxiety	• Just the word "evaluation" can provoke anxiety among staff and cause resistance, because the results can affect decisions about staffing or resource allocation. • External evaluators, who need time to establish trust and relationships, may increase anxiety.
Failure to plan from the start	• Not communicating regularly with stakeholders can cause disengagement, disinterest, and, ultimately, the non-use of findings. • Evaluation teams can find out too late that no budget was allocated for report production, verbal presentations, or dissemination.
Organizational culture—defined as management operating style, the way authority and responsibility are assigned, or how staff are developed	• Preconceptions are held about the project that are resistant to change. • Staff may view negative or sensitive evaluation results as shameful criticism and resist discussing them openly. • Communication may be inefficient due to the loss of institutional memory because of rapid staff turnover or other reasons. • Leaders who do not want to share performance information in open meetings hinder dissemination of performance findings. • Ongoing communication during an evaluation is inhibited by the organization's dysfunctional information-sharing systems.

Overcoming Challenges

In theory, anxiety and resistance should be lessened by the participatory, utilization-focused evaluation approach and mitigated by a focus on evaluation as dialogue and learning, rather than on judgment and accountability. Treating evaluation stakeholders respectfully, in a way that protects their dignity, will also help to lessen anxiety.

Step 2 Define the Communication Purpose

Once the challenges are identified, the next step is to define the purpose of the communication. How can you best meet stakeholder and other audience needs? First, identify stakeholder and audience needs and then match those needs with the appropriate communication and reporting strategies. Think about why you are communicating with the stakeholders and what you want to communicate. Review the evaluation purpose from the scope of work and consider the expectations that stakeholders express. Then, answer the questions below for each individual or group of stakeholders.

Questions About Stakeholders/Audiences	Answers
1. Do they need to be informed about evaluation decisions? If so, when and for what reason?	☐ To build awareness ☐ To gain support ☐ To show respect
2. Do they need to review interim or final findings? If so, when and for what reason?	☐ To review evaluation progress ☐ To learn and improve ☐ To promote dialogue and understanding among partners
3. Do they need to be involved in decision making? If so, when and for what reason?	☐ To assess the likelihood of future support ☐ To help develop recommendations ☐ To ensure use of the recommendations

Step 3 Select Communication Methods

Now that you have identified the audience needs, the next step is to select the best communication methods. Start by asking the following questions of each individual or group:

Questions for Stakeholders/Audiences	Answers
1. What is their familiarity with the program or the project being evaluated?	☐ Very familiar ☐ Somewhat familiar ☐ Not at all familiar
2. What is their experiences using evaluation findings?	☐ Long experience ☐ Some experience ☐ No experience
3. What is their reading ability?	☐ High ☐ Mid ☐ Low or non-reader (illiterate)
4. What language(s) do they use to communicate?	☐ ________________ for writing ☐ ________________ for reading
5. How accessible are they?	☐ Easily ☐ With some effort ☐ Isolated

(Adapted from Torres et al. 2005.)

For example, if the group has a high degree of literacy, written communication can be used. If the audience is largely illiterate, however, visual and oral communications will be better communication methods.

Step 4 Develop a communication and reporting strategy

With this assessment of stakeholder characteristics and knowledge of information needs, the next step is to develop a responsive communicating and reporting strategy. The strategy should describe who, what, when, and how to communicate. Use the example in table 2, below, to plan the strategy.

Table 2: Sample Planning Communication and Reporting Strategy Worksheet

Stakeholder and audience group or individual and summary of characteristics and purpose	What information (content) do they need?	What format is best for them?	When do they need it?	Who will prepare and deliver the information?	What are the costs?
Program donor, located in Washington, D.C., needs to review final evaluation report for decision making about future funding	Findings and recommendations	Final evaluation report with executive summary Debriefing meeting to be held at donor offices to present findings, recommendations, and intended actions	June 15th June 30th	Evaluation team to prepare written reports; PVO headquarters staff to prepare debriefing meeting agenda and presentation	Printing costs for 25 copies of written report; travel costs of staff to Washington, D.C., for meeting; and time to prepare and debrief

Reporting Menu of Options

A final written report is an important way to communicate and report on an evaluation, and the full evaluation report should be distributed to program staff, partners, government officials, and donor agencies, but other formats should also be considered for other audiences. Based on stakeholder characteristics and information needs, and funding options, consider other formats such as brochures, debriefings, panel presentations, print and broadcast media, video presentations, drama, poster sessions, working sessions, or electronic communications.

Table 3, below, presents a wide range of reporting options and descriptions of each option. Use table 3 to choose formats that fulfill the evaluation purposes and meet the needs of different stakeholders and dissemination audiences (Patton 1997).

Table 3: Evaluation Reporting Menu

Written Reporting	Verbal Presentations	Creative Reporting	Critical Reflection Events	Reporting Using Electronic Formats
• Final evaluation report • Executive summary • Interim or progress reports • Human interest, success and learning stories • Short communications such as newsletters, brochures, memos, e-mails, postcards • News media communications (print media)	• Debriefing meetings • Panel presentations • Broadcast media (radio or television) • Informal communication	• Video presentation • Dramas or role-plays • Poster sessions • Writeshops	• After-action Reviews • Working sessions	• Website communications • Synchronous electronic communications such as chat rooms, teleconferences, video and web conferences • Podcasts

Sources: Patton 1997; Torres et al 2005.

WRITTEN REPORTING

The final evaluation report presents the full view of the evaluation. It serves as the basis for the executive summary, oral presentations, and other reporting formats, and is an important resource for the program archives. Many program donors have a prescribed format for required reports; follow this format carefully. Usually, at least one draft evaluation report is circulated to stakeholders for comments and additional insights prior to the final report production.

An executive summary is a short version—usually one to four pages—of the final evaluation report, containing condensed versions of the major sections. Placed at the beginning of the final evaluation report, it communicates essential information accurately and concisely. Executive summaries are typically written for busy decision-makers and enable readers to get vital information about the evaluation without having to read the entire report. The executive summary may be disseminated separately from the full report and should be understandable as a stand-alone document.

Condensing 50 pages of a final report into a one-page summary can take considerable time. Use the tips in the box below to make this job easier.

> "I'm sorry that the letter I have written you is so long. I did not have time to write a short one."
> George Bernard Shaw

Tips for Writing an Executive Summary

- *Read the original document from beginning to end*
- *Start the executive summary with conclusions and recommendations*
- *Underline all key ideas, significant statements, and vital recommendations*
- *Edit the underlined information*
- *Rewrite the underlined information*
- *Edit the rewritten version by eliminating unnecessary words and phrases*
- *Check the edited version against the original document to ensure that the essential information is captured, including the project successes and challenges*
- *Ensure that only information from the original report is included*

Interim or progress reports present the preliminary, or initial, draft evaluation findings. Interim reports are scheduled according to specific decision-making needs of evaluation stakeholders. While interim reports can be critical to making an evaluation more useful, they can also cause unnecessary difficulties if interpreted incorrectly. To avoid this problem, begin interim reports by stating the following:

- Which data collection activities are being reported on and which are not
- When the final evaluation results will be available
- Any cautions for readers in interpreting the findings (Torres et al. 2005).

Human interest, success, and learning stories are different ways to communicate evaluation results to a specific audience. Donors are increasingly interested in using short narratives or stories that put a human face on M&E data.

- **Human interest stories** document the experiences of individuals affected by PVO projects and help to personalize the successes and challenges of PVO work.
- **Success stories** are descriptions of "when, what, where, how, and why" a project succeeded in achieving its objectives.
- **Learning stories** narrate cases of unanticipated project difficulties or negative impacts, how these were identified and overcome, and what was learned that might be helpful in the future to others (De Ruiter and Aker 2008; Long et al. 2006). These stories can be included in the final report or in an appendix.

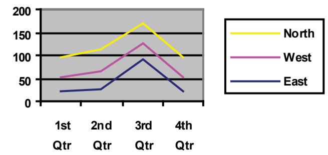
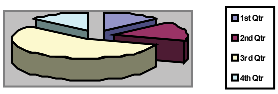
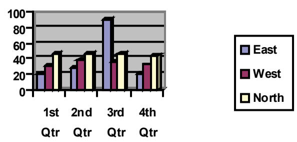
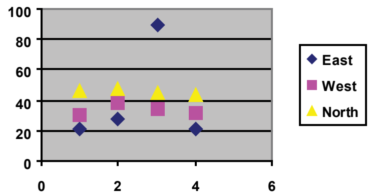
For more information on how to write these stories, consult *Human Interest Stories: Guidelines* and *Tools for Effective Report Writing* (De Ruiter and Aker 2008) and *Success and Learning Story Package: Guidelines and Tools for Writing Effective Project Impact Reports* (Long et al. 2006); and *Writing Human Interest Stories for M&E* (Hagens 2008).

Short communications—newsletters, bulletins, briefs, and brochures—serve to highlight evaluation information, help to generate interest in the full evaluation findings, and serve an organization's public relations purposes. Their format can invite feedback, provide updates, report on upcoming evaluation events, or present preliminary or final findings. However, the short formats may be less useful if the evaluation is primarily qualitative, and when a full description of the evaluation context is critical to interpreting results (Torres et al. 2005). These types of communication use photos, graphs, color, and formatting to be attractive and eye-catching to the reader.

News media communications are another method for disseminating evaluation results. The project can send the evaluation report to the news media, send them press releases on the report findings, or encourage interviews of evaluation team members or evaluation stakeholders (Torres et al. 2005). The news media provides access to a larger audience, such as the general public or a specific professional group.

Use of media can also be tricky—there are no guarantees of what the reporter will write. For this reason, it is important to promote a clear message to the media, to brief the evaluators and stakeholders on the main points to speak on, and to contact the media only after other key stakeholders have reviewed the evaluation findings—no one likes to be surprised by reading about their program in the press.

Table 4: Overview of Graphics

Graphic Types	Information Communicated	Tips
Line Graph 	• Shows trends over time, movements, distributions, and cycles	• Label lines rather than using a legend • Try to use three lines at most • Use different colors or different textures if in black and white
Pie Chart 	• Shows parts of a whole	• Use six or fewer slices • Arrange slices from largest or most important from "12 O'Clock" • Use bright contrasting colors • Label pie slices
Bar Chart/Cluster Bar Chart 	• Compares differences between similar information (for example, percent distribution) • Cluster bar chart compares several items	• Use as few bars as possible • Use color or texture to emphasize data aspects • Place numbers showing bar values at top or inside the bar
Other Charts (flow, time series, scatterplot) 	• Show processes, elements, roles, or parts of a larger entity	• Use white space effectively • Convey the message in the title • Add the data source

<table>
<tr>
<td>Tables
<table><tr><th></th><th>Title1</th><th>Title2</th><th>Title3</th><th>Title4</th></tr><tr><td>1</td><td></td><td></td><td></td><td></td></tr><tr><td>2</td><td></td><td></td><td></td><td></td></tr><tr><td>3</td><td></td><td></td><td></td><td></td></tr><tr><td>4</td><td></td><td></td><td></td><td></td></tr><tr><td>5</td><td></td><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td><td></td><td></td></tr></table></td>
<td>• Describe, tabulate, show relationships and compare
• Conveniently present large quantity of data</td>
<td>• Assign each table an Arabic numeral
• Place the title immediately above the table
• Clearly label rows and columns
• Show the data source</td>
</tr>
<tr>
<td>Illustrations (diagrams, maps or drawings)
</td>
<td>• Effectively convey messages or ideas that are difficult to express in words
• Show organizational structures, demonstrate flows
• Show direction
• Use flow charts to show issues
• Use map charts to show results comparable across geographic regions or countries</td>
<td>• Keep it simple—if a lot of explanation is needed, use text instead
• Use illustrations creatively as they help to communicate
• Include a legend to define any symbols used
• Use white space</td>
</tr>
</table>

Sources: Torres et al 2005; Kusek and Rist 2004; Tufte 1989.

VERBAL PRESENTATIONS

Oral or verbal presentations communicate evaluation progress and findings to stakeholders and other audiences. With this method, audiences can ask questions and communication is more interactive. Oral presentations with facilitated discussions can lead to dialogue among stakeholders and commitment to actions (see critical reflection, below) (Torres et al. 2005).

Debriefing meetings typically begin with a brief presentation, followed by discussion of key findings or other issues. Ongoing debriefing meetings may be held to communicate evaluation progress to program managers. A final debriefing meeting can be held with stakeholders to share and discuss key findings and recommendations from the final evaluation report.

Panel presentations can be used to bring together evaluation stakeholders to present key evaluation findings and recommendations or other evaluation components. Usually composed of three to four panelists, each individual makes a short presentation on some aspect of the evaluation. A moderator then facilitates discussion among panelists and between panelists and the audience (Kusek and Rist 2004).

Broadcast media can be useful when evaluation findings need to be disseminated beyond the primary stakeholders. Radio is a very effective way to disseminate information. Community radio stations—with a mandate for development—provide low-cost production and often have local language translation capacity.

CREATIVE REPORTING

Consider using creative but less-traditional communication formats to report on evaluation findings. These formats can be crucial when reporting information to illiterate stakeholders, as they show respect for local communication traditions such as oral history. Information on how to use video presentations, dramas or role plays, roster sessions, writeshops, critical reflection events, after action reviews, and working sessions are presented below.

Video presentations bring the combined power of visual imagery, motion, and sound. Videos can be shot in digital formats, edited on computers, and disseminated in CD-ROM or digital videodisk (DVD) formats. Although it is advantageous to have a presenter, videos can be distributed and viewed by wide numbers of audiences. Videos are especially useful to do the following (Torres et al. 2005):

- Present qualitative evaluation findings, such as interviews
- Document evaluation processes
- Present evaluation findings about new programs
- Shares evaluation findings with illiterate groups

Video Tips

- *Establish the video purpose and criteria for selecting program events to be filmed.*
- *Obtain permission from program participants before videotaping.*
- *Ensure the videos for stand-alone pieces include sufficient background information about the program and the evaluation.*
- *Consider the intended audience when determining length; shorter videos (20–30 minutes) have a better chance of being included in meeting agendas.*

Dramas or role plays are powerful ways to portray evaluation findings and to illustrate potential applications of recommendations. Torres (2005) describes three theatrical formats where evaluation findings are presented and used to spark dialogue.

1. **Traditional sketches** are developed from evaluation data—especially interviews and focus groups—and may also portray evaluation findings. Actors perform a sketch and then exit. The sketch is followed by a facilitator-guided discussion with audience members.

2. **Interactive sketches** are provocative scenarios that engage audience members in thinking and talking about evaluation issues and findings. Following an interactive sketch, the audience discusses their reactions with the actors, who stay in character, again guided by a facilitator who also provides evaluation data. After the facilitated discussions, actors repeat the sketch, changing it according to the audience discussion outcomes.

3. **Forum theater workshops** use role playing. A facilitator presents evaluation findings; participants can be both actors and audience members. Participants create mini-scenes based on evaluation findings and their own experiences. These are dynamic scenarios; participants can move in and out of acting roles, and actors can change strategies mid-scene. A facilitator then elicits questions and leads discussions about each mini-scene.

or group establish an environment of trust, respect, and collaboration among evaluators and stakeholders. Critical reflection is enhanced when people:

- Ask pertinent questions and display curiosity
- Admit what they do not know
- Uncover and examine beliefs, assumptions, and opinions against facts, evidence, and proof
- Listen carefully to others
- Adjust opinions when new facts are found
- Examine successes and problems closely and deeply

After action reviews are a sequence of reflective activities that can be used during an evaluation to process an evaluation team's initial findings or to review progress or obstacles in the evaluation process. As with other critical reflection events, after action reviews work best in a safe environment where people can express their ideas openly; a facilitator poses open questions and leads the group discussions. After action reviews are conducted while memories are still fresh. The facilitator asks a series of sequenced questions as follows and records key points made by the group, such as:

- What was supposed to happen?
- What actually happened?
- Why were there differences?
- What did we learn?
- What were successes or shortfalls?
- What should we do to sustain successes or improve upon shortfalls?

Working sessions with evaluation stakeholders are the hallmark of a collaborative participatory evaluation and can be conducted at any time during the evaluation (Torres et al. 2005). Effective working sessions apply adult learning principles, such as those used for workshops. Guidance for conducting productive working sessions is described in the box, below.

Guidelines to Planning and Facilitating an Effective Working Session

- *Clearly define the session purpose*
- *Prepare an agenda*
- *Choose appropriate procedures—such as brainstorming and small group tasks—and prepare all necessary materials, such as flipcharts or whiteboards and markers to record ideas, handouts, and documents*
- *Set up the meeting room to promote exchange and discussion*
- *Choose a meeting time that is convenient to participants*
- *Share the agenda well in advance and review it at the start of the meeting*
- *Use short games to help participants to get to know each other*
- *Invite participants to set ground rules or norms for how everyone will work together*
- *Clarify roles such as who is facilitating, who is recording ideas, and so on*
- *Use facilitation techniques or hire a competent facilitator to paraphrase comments, synthesize and integrate ideas, encourage diverse viewpoints to surface, manage time, invite the group to refocus when necessary, and build consensus*
- *Balance dialogue with decision making*
- *Plan and articulate next steps*
- *At the end, ask for feedback and use this information to improve the next working session*

Source: Torres et al 2005.

REPORTING USING ELECTRONIC FORMATS

Web sites can be used to disseminate written evaluation reports and evaluation documents. Web sites may be hosted by a donor, a particular development community—relief, peacebuilding, public health, communications, and so on—a PVO consortia, a UN- or government-hosted working group, and/or a resource center. Possible Web postings include reports, video presentations, PowerPoint presentations, newsletters, meeting schedules, and press releases. In the peacebuilding community, a number of Web sites have begun to post evaluations of peacebuilding projects (Lederach et al. 2007).

Synchronous electronic communications, such as web communication systems and conferencing tools, can facilitate collaboration with stakeholders in different locations during all evaluation phases. Chat rooms, teleconferences, videoconferencing, live Web conferencing, virtual meetings, and podcasts are online events and tools that allow stakeholders who may be located across the globe to work together easily (Torres et al. 2005).

- **A chat room** is an area on the Internet where two or more people can have a typed conversation in real time; this method is ideal for routine conversations about data collection or evaluation procedures.
- **Teleconferences** can be arranged through communication service providers. A single number is given to participants to call; speaker phones are used to accommodate many people. Teleconferences are especially useful for discussing and getting feedback on evaluation documents that are distributed and reviewed by participants prior to the call.
- **Videoconferences** are meetings between people at different locations using a system of monitors, microphones, cameras, computer equipment, and other devices. Videoconferences can be used with evaluation stakeholders in place of face-to-face meeting. Note that reliable videoconferencing technology can be costly to use and that technical expertise and information technology professionals are needed to facilitate a successful videoconference.
- **Web conferences** are meetings between people at different locations done through an Internet connection that allows them to view the same document or presentation on computer monitors simultaneously, along with audio communication. Features of Web conferencing software vary and may include a chat room feature or video and/or audio communication. Web conferences can be used for planning, presenting information, soliciting input and reactions, and editing evaluation plans and reports. Web conferences can be arranged through companies specializing in the service or through the Internet.
- **Podcasts** are a series of digital media files that are distributed over the Internet for playback on portable media players (e.g., iPods) and computers. Podcasts enable evaluators to communicate and report information with stakeholders at any time. For example, if a stakeholder is unable to attend a final debriefing meeting, a meeting podcast allows him/her to download the podcast of the event. Although used infrequently at present, this electronic format holds much promise for the future.

DIFFERENT OPTIONS TO COMMUNICATE EVALUATION RESULTS

There are many options in evaluation communication and reporting, and often several techniques or formats are used or sequenced to promote greater dissemination of results. For example, evaluators may draft a written report with preliminary findings, and then hold a working meeting with key evaluation stakeholders to validate findings, followed by a radio program to disseminate the final results. Sequencing a series of communication formats in a skillful way can be very influential in communicating a written report's findings and recommendations (Torres et al. 2005).

See the full module for references and suggestions for further reading.

This edition of Short Cuts was produced in 2008. Please send your comments or feedback to: m&efeedback@crs.org.

This publication is part of a series on key aspects of monitoring and evaluation (M&E) for humanitarian and socioeconomic development programs. The American Red Cross and Catholic Relief Services (CRS) produced this series under their respective USAID/Food for Peace Institutional Capacity Building Grants. The topics covered were designed to respond to field-identified needs for specific guidance and tools that did not appear to be available in existing publications. Program managers as well as M&E specialists are the intended audience for the modules; the series can also be used for M&E training and capacity building. The *Short Cuts* series provides a ready reference tool for people who have already used the full modules, those who simply need a refresher in the subject, or those who want to fast-track particular skills.

The M&E series is available on these Web sites:

- www.crs.org/publications
- www.foodsecuritynetwork.org/icbtools.html
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