

مؤسسة عبد المحسن القطان  
A. M. Qattan Foundation



**[ACCOUNTING POLICY AND PROCEDURES MANUAL]**



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## **Foundation Profile**

The A.M. Qattan Foundation is a British registered Charity No. 1029450, and is a charitable company limited by guarantee registered in England and Wales No. 2171893. The Foundation was legally registered as of May 9, 1998 with the Palestinian Ministry of Interior as a not-for-profit organization (a branch of a foreign charity) under registration number (5056), and re-registered in 2004 in accordance with the law for social institutions for the year 2000 under (QR-0035-F).

### **Vision**

A just, free, enlightened and tolerant society with a global presence; one that embraces dialogue and is a producer of knowledge, art and literature.

### **Mission Statement**

The Foundation is considered an independent, not-for-profit developmental institution working in the culture and education sectors targeting a variety of social groups, particularly children, teachers and young artists, which:

1. Aims to empower free-thinking, enlightened individuals to overcome the challenges of war and injustice and to create a flourishing and dynamic society in Palestine and the Arab World;
2. Adopts a long-term, participatory developmental ethos through programs that foster critical thinking, research, creativity and the production of knowledge, while also providing an inspiring model of transparency and excellence; and,
3. Advocates cultural and educational development as an essential tool of resistance for a society faced by conditions of acute political instability and humanitarian catastrophe.

## **Values**

### **Defense of the rights and dignity of all**

Inspired by the enduring vision enshrined in the Universal Declaration of Human Rights, which affirms that "All human beings are born free and equal in dignity and rights. They are endowed with reason and conscience and should act towards one another in a spirit of brotherhood," the Foundation supports women and men to combine their self-development with the service of others, specifically through the provision of inclusive public services of a high standard.

### **Freedom, pluralism, dialogue, the production of knowledge and new thinking**

The Foundation believes in the individual's rights to freedom of thought, creed, and free expression. These rights are key components of its internal policies and its work in the fields of culture and education, where the sharing of ideas and practices is considered essential for the production of knowledge and new thinking.

### **Working in a collegiate spirit of productivity**

The Foundation is aware that it can only realize its goals if it has the support of its target constituencies and their shared agreement on the value, meaning and potential effectiveness of



its work. As such, it always aims to operate in a collegiate spirit of cooperation and partnership with its staff and the groups it serves, whether they are children, artists or teachers.

### **The courage to be just**

The Foundation realizes that long-term peace, equality and prosperity require the courage to be just and defend the oppressed.

### **Activities**

The Foundation focuses its work in two sectors, culture and education, through three programmes, in culture, education and child cultural development. The programmes are manifested through:

1. Qattan Centre for Educational Research & Development (QCERD);
2. Qattan Centre for the Child (QCC); and,
3. Culture and Arts Programme (CAP).

### **Board of Trustees**

- Abdel Mohsen Al-Qattan - Chairman
- Laila Al-Qattan
- Najwa Al-Qattan
- Leenah Al-Qattan
- Omar Al-Qattan – Secretary

### **Management Committee**

- Executive Director
- Director QCERD
- Director QCC
- Director CAP
- Director of Finance
- Director of Communications and Resource Development.

### **The Foundation Addresses**

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## Overview

### 1. About the Manual

1. This manual shall be referred to as the A.M. Qattan Foundation Accounting Policies and Procedures Manual (the "Manual"). This manual provides means for systematic documentation and communication of accounting policies and procedures designed and in a collaborative efforts by the A.M. Qattan Foundation and Deloitte & Touche (M.E.) . The purpose of this manual is to provide guidance on how to record and maintain the Foundation's assets and liabilities, as well as revenue collections and expenditure disbursements.
2. This Accounting Manual should not be considered an all inclusive document. Rather, accounting staff shall also be guided by the professional accounting standards issued by the International Federation of Accountants ("IFAC").
3. This manual is prepared to operate in a computerized system environment and is adapted to work efficiently with the accounting software used by the Foundation.

### 2. Scope

Except as otherwise provided, the policies and procedures contained in this Manual are mandatory. Requests for exceptions should be made in writing by the Director of Finance to the Foundation Executive Director and take effect subsequent to the Board of Trustees (BOT) approval.

### 3. Authority and Manual Amendment

1. The authority for the Foundation accounting policies and procedures described in this Manual is derived from the endorsement of the Executive Director and the approval of the Board of Trustees ("BOT") supplemented by the International Accounting Standards issued by the International Federation of Accountants. Further, The Foundation, at its option, may change, delete, suspend or discontinue any part or parts of the policies in this Manual at any time without prior employee notice or consent.

Only the Executive Director of the Foundation may suggest alteration or modification of the policies stated in this Manual upon the recommendation of Director of Finance. Any suggested alteration or modification of the policies must be approved in writing by BOT.

2. Should any provision in this Manual be found to be unenforceable and invalid, such finding does not invalidate the entire Manual, but only that particular provision. Finally, this Manual supersedes any and all other previous accounting Manuals or other policies whether written or oral.



## Receipt and Acknowledgment of the Manual

(To be placed in the employee personal file)

All Accounting and Finance staff with no exception noted shall read the following statements, sign below and return to the Director of Finance with a copy to the Administrative Officer for safe keeping.

### Understanding and Acknowledging Receipt of the Foundation Accounting Manual

I have received and read a copy of the Foundation Accounting Manual. I understand that the policies and procedures described within are applicable to all financial transactions with no exception noted. I understand that adherence to these policies and procedures will be utilized, in part, to assess my work place performance evaluation. I also understand that the manual is subject to change at the sole discretion of Foundation at anytime without notice or even my consent.

### Confidential Information

I am aware that during the course of my employment confidential financial information will be made available to me. I understand that this information is proprietary and critical to the successful implementation of Foundation objectives and therefore must not be given out or used outside of Foundation premises. In the event of termination of employment, whether voluntary or involuntary, I hereby agree not to utilize, exploit or discuss this information with any other individuals or entities.

\_\_\_\_\_  
Employee Name (printed)

\_\_\_\_\_  
Position

\_\_\_\_\_  
Employee Signature

\_\_\_\_\_  
Date





## **Basis of Accounting Methodology & Standards**

### **1. Basis of Accounting**

The Foundation accounting records are maintained in accordance with the Accrual Basis of accounting. Under this basis, revenue is recognized when earned and expenses are recorded in the period incurred, with disregard to the time of receipt or payment of cash.

### **2. Accounting Standards**

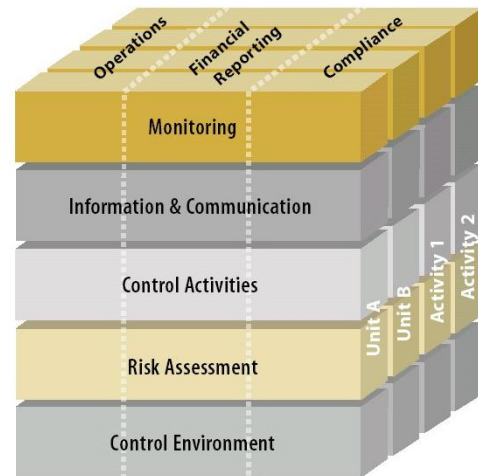
1. The International Accounting Standards ("IAS") are the basic standards for the Foundation accounting and financial reporting. However, since IAS do not include specific accounting standards for NGOs, the American Institute of Certified Public Accountants ("AICPA") Financial and Accounting Guide for Not-for-profit Organizations will be followed in the accounting and financial reporting of the Foundation. That is, contributions received by the Foundation shall be reported in accordance with AICPA's Statement of Financial Accounting Standards (SFAS) 116, and the Foundation financial statements should be prepared in accordance with SFAS 117 and SFAS 124.
2. To ensure compliance with IAS and the AICPA Not-For-Profit Organizations Audit and Accounting Guide, engagement letters of external auditors must include a paragraph requiring auditors to conduct their audits in accordance with the International Standards on Auditing and the AICPA Not-profit Organizations Audit and Accounting Guide, and to include in their audit reports an opinion on whether the financial statements were prepared in conformity with these standards.



## System of Internal Control

### 1. Internal Control Definition

1. The Internal Control System is a process that is implemented by management that is designed to provide reasonable assurance about the (a) reliability of financial reporting, (b) compliance with applicable laws and regulations, and (c) the effectiveness and efficiency of operations.
2. The Internal Control System can be classified into five major interrelated components that work together to achieve the Foundation goals. These components are (1) Control Environment, (2) Risk Assessment, (3) Control Activities, (4) Information and Communication System and (5) Monitoring System.
3. The **Control Environment** is the core of any system of internal control as it sets the tone for the entire Foundation. The control environment is made up of:
  - The ethics and integrity of the Foundation management and employees;
  - The commitment to competence at all levels;
  - The management operating style and attitude towards controls;
  - Human resource policies; and
  - The Foundation organizational structure.



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4. **Risk Assessment** is an evaluation process to determine areas and functions within the Foundation that have risk of errors, non-compliance, and fraud. Controls may then be put in place to help mitigate the risks identified during the risk assessment.
5. **Control Activities** consist of the specific policies and procedures that are put in place to mitigate the risk of error, non-compliance, and fraud. There are several categories of control activities including but not limited to:
  - Physical control of assets;
  - Segregation of duties;
  - Authorization of activities;
  - Adequate documentation; and
  - Independent performance review.



6. Adequate **Information and Communication Systems** help the Foundation to obtain and process information that is needed to carry out and control the operations of the Foundation.
  7. **Monitoring** is management review of controls to verify that the controls are achieving the desired results. As the operations within the Foundation change, the related controls must be changed to ensure that the goals are met.
2. The Relationship between the Accounting Process and the Internal Control

1. The primary objective of the accounting process is to ensure the proper recording of all financial transactions and to provide useful financial information to the Foundation senior management team. While, the objective of the internal control structure is to keep the Foundation activities operating in accordance with policies and procedures devised by management. These two systems are closely related; in fact, each depends greatly upon the other.
2. The accounting process depends upon internal controls to ensure the reliability of accounting data. Many internal control procedures on the other hand make use of accounting data in keeping track, assess and monitoring the performance of administrative units and programmes. The need for adequate internal control explains the nature and the existence of many accounting records, reports, documents, and procedures. Thus, the internal control and accounting go hand-in-hand to ensure that the Foundation is achieving its goals and objectives.

3. Key Concepts of Internal Control

There are four key concepts that underlie the Internal Control Environment:

1. Accounting Controls vs. Administrative Controls

**Accounting controls:** are measures that relate directly to the protection of resources or to the reliability of accounting information. An example is the fixed assets registers used to track the Foundation acquired assets. Another example is the policy of conducting annual physical count of fixed assets.

**Administrative controls:** are measures designed to increase operational efficiency; they have no direct bearing upon the reliability of the accounting records. An example of an administrative control is a requirement that travelling employee to submit an activities report showing the nature of the travel and the result achieved.

2. Management Responsibility

Management must establish and maintain the Foundation's Internal Control Environment. This concept is consistent with the requirement that management is responsible for the preparation of financial statements in accordance with the international Accounting Standards and the AICPA issued Not-profit Organizations Audit and Accounting Guide.

3. Reasonable Assurance

The Foundation develops internal controls that provide reasonable assurance, among other things, that the financial statements are fairly stated.



Management, after considering both the costs and benefits of the control, develops these internal controls. The cost of internal control should not exceed the benefits to be derived by the system (cost-benefit relationship).

#### 4. Inherent Limitations of Internal Control

Internal control can never be regarded as completely effective, regardless of the care followed in their design and implementation. Even if an ideal system is designed, its effectiveness depends on the competency and dependability of the people using it.

#### 4. Key Internal Control Standard Operating Procedures

The listed below procedures are designed and placed into operation to provide reasonable assurance that the Foundation's objectives will be achieved.

##### 1. Performance Review and Valuation

This standard requires continuous supervision in reviewing and approving the employees assigned work. It also requires supervisors to provide their staff with necessary guidance and training to help ensure that errors, waste, and wrongful acts are minimized while the Foundation management directives are implemented.

##### 2. Segregation of Duties

Key duties and responsibilities in authorizing, processing, recording and reviewing transactions should be separated among individuals. In order to segregate duties no one person should be doing two main duties i.e. authorize and record financial transactions.

##### 3. Safeguard Over Access to Assets and Records

Access to resources and records are to be limited to authorized individuals. Accountability for the custody and use of resources is to be assigned and maintained.

The basic concept behind restricting access to resources is to help reduce the risk of unauthorized use or loss of the Foundation's assets and to help achieve directives of management. However, restricting access to resources depends upon the vulnerability of the resource and the perceived risk of loss, both of which should be periodically assessed. For example, access to highly vulnerable documents such as check stock can be achieved by:

- Keeping them locked in a safe;
- Assigning each document a sequential number; and,
- Assigning custodial accountability to responsible individuals.

Other factors affecting access include the cost, portability, exchangeability and the perceived risk of loss or improper use of the resource.

##### 4. Authorization of Transactions and Activities



Transactions and other significant events are to be authorized and executed only by persons acting within the scope of their authority.



## Cash and Banks

### Overview

#### **Purpose:**

The purpose of these policies and procedures is to provide guidelines for all activities involving cash and financial institutions and to ensure that all cash and financial transactions are properly initiated, authorized, classified, and reported in the financial statements. In addition, the policies and procedures are provided to ensure that adequate internal controls are in place to ensure that cash is efficiently utilized.

#### **Scope:**

These policies and procedures are applicable to all financial transactions with no exceptions noted. Any exceptions granted shall be written and recommended by the Executive Director subsequent to consultation with the Director of Finance and approval by the Board of Trustees.

#### **Responsibility and Authority:**

The overall responsibility for the proper implementation of these policies falls under the Executive Director, Director of Finance, relevant Directors, Administrative and Finance Officers and the Finance Personnel.

### 1. Bank Accounts

The Foundation should maintain bank accounts to serve its operational and financial needs, accordingly the following bank accounts are recommended:

- (A) Current "Checking" Bank Accounts:
  - Local Currency
  - Foreign Currency
  
- (B) Time "Saving" Bank Deposits
  - Foreign currency
  - Local currency

The Foundation's temporary surplus of cash should be kept in interest bearing accounts. Thus, The Director of Finance shall determine the amounts to be transferred from Current Account to Time Deposit Account and vice versa.



## 2. Opening New Bank Account

1. Opening new bank accounts at local and international financial institutions is done by the BoT upon the recommendation of the Foundation Executive Director and the Director of Finance.
2. Projects bank accounts shall be opened based on co funders requirement if stated in the signed agreement and shall be used exclusively for the purposes of the project. Opening projects bank accounts shall be subject to item one (1).
3. Authorized signatories on new and existing bank accounts should be recommended by the Executive Director subsequent to discussion with the Director of Finance and approval by the Foundation Board of Trustees.

## 3. Closing Existing Bank Account

1. Inactive bank accounts or accounts with zero balance for more than twelve (12) months should be closed, unless there is a justification to keep it open.
2. Projects bank accounts shall be closed subsequent to the implementation and successful completion of the project unless there is a justifiable operational need to keep them open.
3. Closing bank accounts shall be recommended by the Director of Finance, seconded by the Executive Director and approved by the Board of Trustees.

## 4. Bank Authorized Signatories

1. All bank accounts authorized signatories must be appointed by the BoT subsequent to the recommendation of the Executive Director and the Director of Finance;
2. All disbursement checks or bank transfers must be signed by two (2) of category "A" authorized signatories; in case of absence of any signatory from category "A", category "B" signatory replaces him as listed below:

West Bank (all financial Institutions)

Category "A"	Category "B"
Executive Director	Cultural & Arts Programme Director "CAP"
Director of Finance	

Gaza Strip (Quds Bank)

Category "A"	Category "B"
Director /Qattan Center for the Child	Unit Head /Cultural Programmes & Activities
Unit Head /Library and Technical Services	

Gaza Strip (Housing Bank for Trade and Finance)

Category "A"	Category "B"
QCERD – Gaza Office Manager / Principal Researcher	XXXXXXXXXXXXXXXXXXXXXXX



Library Specialist	
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3. It is essential to terminate the authority of a signatory prior to termination of employment or upon approval of employee resignation. Thus, safeguarding funds deposited at the Foundation's bank accounts.
4. All financial institutions shall be notified promptly of any changes to the authorized signatories.

All authorized signatories should have a copy of the approved list of authorized signatories.

#### 5. Cash Receipts

1. The Foundation should avoid receiving large amounts in cash; rather, it should ask the payer to transfer the money to the Foundation bank account.
2. Cash receipts should be limited to small monetary amounts such as library fees, annual dues, book sales or visitors donations...etc.
3. Cash collections should be segregated from petty cash and should be deposited into the Foundation bank accounts immediately and should not be used to pay expenses or replenish petty cash.
4. Cash and check collections shall be deposited into the Foundation main current "Checking" bank account.
5. All receipts (checks and cash) from the Al- Qattan Charitable Trust and other donors should be acknowledged by official Acknowledgment Letter sent by regular mail or electronic media.
6. Cash and checks received by staff in charge shall be reported immediately to the Foundation's Director of Finance.
7. When checks are received they must be restrictively stamped for "Deposit Only" or for the "First Beneficiary" to ensure funds are deposited into the Foundation's bank account. Thus, increasing control.
8. A secure safe deposit box shall be utilized to store cash and checks overnight. The safe shall be controlled by the Director of Finance.
9. The Director of Finance or his/her delegate will arrange for the deposit of checks and cash in the Foundation's bank accounts. Bank deposit slips are turned to the Director of Finance for acknowledgment, record keeping and storage.

#### 6. Disbursements

Disbursement activities at the Foundation are carried out through two mechanisms (1) Checks and Bank transfers, and (2) Petty Cash.

#### **Checks and Bank Transfers**

1. Checks and bank transfers are used interchangeably in this section.





2. Processing checks for payment starts when receiving the ordered goods or services coupled with the vendor original tax invoice.
3. Check books must be serially numbered and kept in a safe which is controlled by the Director of Finance.
4. Unused check books should be reviewed and verify their existence periodically.
5. All voided checks should be maintained, and stamped "VOID".
6. Programme personnel should not be allowed to issue checks. Checks should be processed and issued only by the Foundation's Director of Finance or his/her delegate.
7. No signing of blank checks should be allowed. Each check shall be signed by at least two authorized individuals as listed above.
8. All issued checks should be stamped with "for the first beneficiary only" any exceptions must be requested by the suppliers in writing and approved by the Director of Finance.
9. All disbursements to suppliers should be made by checks. However, disbursements that do not exceed U.S \$ 200 could be made in cash "petty cash transactions".
10. Payments to contractors on construction projects should be based on progress certificates approved by the consultant engineer appointed by the Foundation to satisfy tax invoice issued by the contractor in accordance with the terms of payment stated in the signed contract or agreement.
11. All disbursements must be made only on the basis of approved payment voucher coupled with supporting documents including but not limited to vendor's original tax invoice.
12. All payments supporting documents must be made available to the authorized signatories prior to signing the disbursement check.
13. A notation of payment must be made on supporting documents to prevent duplicate payment i.e. stamp the invoice "PAID".
14. A copy of the disbursement checks must be attached to the paid invoices.
15. Checks should be handed to the payee immediately after they are written and signed to ensure that they are not lost and to ensure the accuracy of cash and accounts payable balances.
16. Evidence of payee payment collection must be obtained and maintained on file. This evidence could be official receipt voucher or a copy of personal identification card with a signed statement.
17. A deduction at source document must be requested for all payments in excess of U.S \$ 350 or any other limit indicated by law. Otherwise, deduction of the tax amount from the payment shall be made as stated by law.
18. A stop payment order should be issued to the bank under the following instances:
  - A payee reporting in writing that the check issued by the Foundation is lost. A replacement check shall be issued only after one month of receiving the bank



confirmation that the check is stopped. If the lost check is more than six months old, the stop payment voucher is not necessary. As per the bank regulations, checks more than six months old will not be honored for payment.

- Errors have been found in the supplier's invoices after the check had been released. A replacement check should be made only when the errors had been cleared with the supplier and the original check has been returned.
- A dispute has taken place between the payee and the Foundation which might result in the Foundation making a claim against the payee. It may be advisable to consult the Foundation's legal advisor prior to the issuance of the stop payment order to the bank.

### **Petty cash disbursements**

1. Petty cash fund should be established and maintained on an imprest basis and should be used to pay for small and non-recurring expenses (hospitality, minor supplies, cleaning material ...etc.) up to U.S \$ 200. All expenses above these amounts should be paid by disbursement checks. However, in emergency cases the payment ceiling may be exceeded subsequent to obtaining a written approval from the Director of Finance.
2. In case of any local laws limiting the petty cash payment ceiling amount, the Foundation must follow its policy or the local laws whichever sets the lower ceiling amount.
3. Petty cash fund shall never be used to make employee advances, exchange currencies or cash checks.
4. The petty cash fund maximum limit is U.S \$ 1,000. In case of any local laws limiting the petty cash maximum amount the Foundation must follow its policy or the local laws whichever sets the lower amount.
5. The fund should be in the custody of the Foundation's administrative assistant, secretary or another employee who has no authority to approve payments, sign checks, or maintain the accounting records.
6. Petty cash funds should be kept in a locked box or safe. The key to the box or safe should be kept with the petty cash custodian. In all cases the custodian's personal fund should not be mingled with the petty cash fund.
7. A computerized petty cash register (preferably an Excel sheet with password) should be maintained by the petty cash custodian to record all cash disbursements and replenishment. The custodian shall be the only authorized person to access this record.
8. All payments from petty cash should be approved by the relevant Director. Such approval should be in writing. For simplicity, the approval may take the form of signing the invoice as evidence of approval.



9. Original tax invoices and receipts should support all payments from petty cash. In case tax invoices are not available due to the nature of expense, the amount should be supported by signed documents stating the amount has been received by the service provider including but not limited to a copy of his/her identification card, passport or employment card ...etc. Upon payment, the supporting documents must be stamped (PAID) and dated.
  10. All petty cash funds should be replenished when the cash on hand is reduced to 50% of the fund ceiling balance or at the end of each month whichever comes first. All supporting documents along with the petty cash register should be attached with the replenishment request to be reviewed and approved by the Director of Finance to ensure compliance with the Foundation policies and procedures and approved by the Executive Director.
  11. All petty cash funds shall only be replenished from the Foundation main disbursement bank account. Therefore, petty cash should only be replenished by a check payable to the custodian.
  12. The Foundation Programmes petty cash replenishment request should be reviewed by the Programme Director prior to forwarding the request to the Director of Finance for first pass approval. Subsequently, the final approval should be obtained from the Executive Director.
  13. A random physical count might be conducted by the Director of Finance or his/her delegate to ensure that total cash and invoices amount on hand equals to the petty cash ceiling. Any shortage or overage in the fund should be investigated, while any unexplained shortage should be charged to the custodian.
  14. Any loss of funds arising from negligence or theft must be immediately reported to the Executive Director for remedial actions.
  15. Prior to taking a vacation leave or termination of the petty cash custodian, the petty cash should be counted, in the presence of the Director of Finance or his/her delegate prior to turning the fund over to another custodian assigned by the Executive Director.
7. Bank Reconciliation
1. The reconciliation should be prepared by the accountant using a proper bank reconciliation form. This form shall provide the following benefits:
    - Ensures that all necessary information is included on each reconciliation sheet.
    - Reduces the time required to prepare and review the reconciliation.
    - Provide documentation of relevant approvals.
  2. Bank reconciliation is the responsibility of the accountant. The person preparing the bank reconciliation should have no cash receipt and disbursement authorities.



3. All bank reconciliations must be prepared on a monthly basis for all bank accounts. Bank reconciliations must be prepared even if the balance per books agrees with the balance per bank statement.
4. The bank reconciliation form should contain the following information:
  - Bank name and branch;
  - Account number as reflected on the Bank Statement and in the General Ledger;
  - Currency of the account;
  - Date of reconciliation .i.e. period end date;
  - Balance per bank statement;
  - Balance per books;
  - Reconciling items (clearly state the check number and beneficiary for outstanding checks);
  - Date of preparation; and,
  - Signatures of persons, who prepared, reviewed and approved the bank reconciliations.
5. Bank reconciliations shall be prepared by the accountant, reviewed by the Director of Finance and approved by the Executive Director as required by the segregation of duties principle.
6. The reconciliation should be prepared in the original currency of the account.
7. A copy of the Bank Statement showing the balance as well as the ledger balance should be attached to the monthly reconciliation.
8. Bank accounts should be reconciled even if it has a zero balance.
9. The reconciliation should be prepared within a maximum of 15 days from the end of the month.
10. Reconciling items i.e. outstanding checks, deposits in transit should be clearly identified. Items outstanding for a long period of time shall be investigated and necessary action taken.
11. The Director of Finance or his/her delegate should prepare a journal voucher for any unrecorded items identified in the bank reconciliation such as cash transfer, bank charges, or errors in recording.
12. Checks outstanding in the reconciliation for more than six (6) months should be canceled. The Director of Finance or his/her delegate should prepare a journal voucher to revert the check amounts back to cash at the bank account. These should be taken to other income upon the recommendation of the Director of Finance and approval of the Executive Director.



## Cash Management

### 1. General Policies and Procedures

1. It is the Foundation policy to not have a separate bank account for each project/activities funded internally by funds obtained from the Al-Qattan Charitable Trust. However, each project shall have a separate sub-ledger within the accounting software. This sub-ledger shall include all of the project's related expenses.
2. Any balance in excess of the Foundation's and its programmes' short-term needs i.e. "current monthly needs" shall be deposited in an interest bearing account.
3. Interest earned on the restricted donated funds should be maintained at the restricted fund account as interest earned. The treatment of this interest should be according to the donor specific requirements and conditions.
4. The Director of Finance shall obtain a monthly bank accounts statements and shall scan each statement carefully for bank charges and/or any other items that are not recorded in General Ledger so that such items are recorded on timely basis as they occur which facilitates the preparation of bank reconciliations.

### 2. Cash Projection

1. Cash flow projection shall be prepared by the Director of Finance based on the monthly and quarterly funds needs as allocated by the approved annual budget. Therefore, the Executive Director and Programme Directors should provide accurate and realistic information to the Director of Finance in order to have a true and accurate reflection of the Foundation financial needs.
2. These monthly cash flow projections should include the current month's cash flow, as well as the expected cash requirements for each of the next three months in order to facilitate the Foundation's overall cash management.
3. The Executive Director should review and request the Board of Trustees approval of the quarterly cash projection.
4. If additional funds are needed, the Foundation Executive Director shall request the additional funds from the Board of Trustees.

### 3. The Annual Budget

1. The programmes annual budgets should be prepared by the Programme Directors in close coordination with the Director of Finance.
2. The administration annual budget should be prepared by the Director of Finance in coordination with the Executive Director, the Director of Communication and Resource Development and the Administrative Officer.
3. The consolidated annual budget is prepared by the Director of Finance, reviewed by the Executive Director and approved by the Board of Trustees.



4. The consolidated annual budget can be revised when significant changes occur at any time subsequent to the start of the fiscal year. Any changes within the programme and/or the administration budget line items not exceeding 15% within the overall approved annual budget could be requested in writing by the relevant Director and approved by the Executive Director subsequent to the Director of Finance recommendation. Any changes in excess of 15% to the programme and/or the administration budget line items should be approved by the Board of Trustees following the sequence listed above.
  5. Any changes to project's budgets funded or co-funded by external donors should comply with the terms of the signed agreements.
4. Foreign Currency
1. The U.S Dollar is the home functional currency of the Foundation in Palestine.
  2. Foreign currency transactions during the year (day to day transactions) shall be recorded using the exchange rates in effect at the time of each transaction.
  3. Monetary assets and liabilities denominated in foreign currencies shall be translated into the home functional currency by applying the exchange rates prevailing at the reporting date.
  4. Exchange gain or loss shall be reflected in the statement of activities as other revenues or other expenses.



## Revenues and Grant Management

### 1. Overview

#### **Purpose:**

The purpose of this section is to provide guidelines for activities involving:

- Contributions received;
- Proper management and control over grants and donations;
- Compliance with the International Standards, A.M. Qattan Foundation policies and procedures and donors requirements.

#### **Scope:**

These policies and procedures are applicable to all contributions, donations and grants received including but not limited to proper recording, fund management and distribution with no exceptions noted. Any exceptions granted shall be written and recommended by the Executive Director subsequent to consultation with the Director of Finance and approved by the Board of Trustees. These exceptions shall enter into effect subsequent to donors written approvals (if required).

#### **Responsibility and Authority:**

The overall responsibility for the proper implementation and use of these policies lies with the Executive Director, Director of Finance and Programme Directors.

### 2. Revenues

1. The Foundation revenues mainly consist of grants and donations from:
  - The Al-Qattan Charitable Trust;
  - External Donors; and,
  - Minor revenues from the Foundation operational projects and programmes.
2. Revenues, net assets, and gains shall be classified based on the existence or absence of donors (Al-Qattan Charitable Trust and other donors) imposed restrictions. Accordingly, funds received, net assets and changes in net assets are classified as unrestricted, temporarily restricted or permanently restricted funds.

### 3. Reporting of Revenues

1. Revenues, expenses, gains and losses shall be reported on the full accrual basis.
2. Revenues are presumed to be unrestricted unless there is restriction imposed by the donor, either for purpose or time.
3. The statement of activities shall report gains recognized on investments and other assets as increases in unrestricted net assets unless their use is temporarily or permanently restricted by the agreement with the donor.



4. Expiration of the donor restrictions shall be reported in a statement of activities as reclassifications, decreasing temporarily restricted net assets and increasing unrestricted net assets.
5. Revenues and expenses should be reported at gross amounts; gains and losses may be reported at net. Investment gains and losses may be reported at net.
6. Unrestricted contributions receivable (pledges) shall be recorded as revenues. Multiyear contributions receivable would be recorded at the present value of the future collections. Amounts to be collected in future years would be presumed to be temporarily restricted revenues (based on time restrictions) and then reclassified in the year of receipt. The difference between the previously recorded temporarily restricted revenue at present value amounts and the current value would be recorded as contribution revenue, not interest.

**Contribution:**

7. Contributions received and unrestricted promises to give shall be measured at their fair value and shall be reported as unrestricted contributions.
8. The Foundation shall report cash donations and other assets as temporary or permanent restricted contribution if they are received with stipulations by the donor that limits the use of the donated funds or assets.
9. When the donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets shall be reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

**Promise to Give:**

10. Unconditional promises to give that are expected to be collected within one year shall be recorded at net realizable value.
11. Unconditional promises to give that are expected to be collected in further years shall be recorded at the present value of their estimated future cash flows.
12. Conditional promises to give shall not be included as support until the conditions are substantially met.





**Contributed Services:**

13. In kind contributions shall be recorded as contribution revenue and as assets or expenses only if the services received create or enhance none financial asset or
  - Would typically need to be purchased by the Foundation if they had not been provided by contributions;
  - Require specialized skills; and
  - Are provided by individuals with those skills.
  
14. Contributed services should be reported as contribution revenue and should be measured at fair value.



## Procurement System

### 1. Overview

#### **Purpose:**

The purpose of this document is to establish guidelines to govern all procurement activities performed by the Foundation personnel.

#### **Scope:**

These policies and procedures are applicable to all procurement activities with no exceptions noted. Any exceptions granted shall be written and recommended by the Executive Director subsequent to consultation with the Director of Finance and approved by the Board of Trustees.

The listed hereinafter policies and procedures are intended to specify the procurement authorities, limits and to determine stipulations which shall be adhered to in all procurement activities to ensure that such activities are performed in an efficient and effective manner and in compliance with the terms of the approved budget by the A.M. Qattan Foundation Board of Trustees.

#### **Responsibility and Authority:**

The overall responsibility for the proper implementation of these policies falls upon the Executive Director, Director of Finance, Programme Directors, Administrative Officer and Programme Administrative and Finance Officers/ Unit Heads.

### 2. Principles of Procurement

1. Procurement is a process of acquiring goods and services to satisfy the Foundations needs. Procurement includes the functions of planning, identification of needs, selection and solicitation of sources, preparation and award of contract, and all phases of contract administration.
2. Procurement activities at the A.M. Qattan Foundation is governed by the following procurement principles:
  - A. Best Value for Money

The core governing principle of the Foundation is to obtain the best value for money. In this context, the “best value for money” means selection of offers which present the optimum combination of costs and benefits to meet the Foundation programmatic needs.

To ensure that best value for money is obtained, the procurement process should:

- Effective competition;
- Minimize the complexity of the solicitation, evaluation, and the selection process;
- Ensure impartial and comprehensive evaluation of solicited offers; and



- Ensure selection of suppliers whose offer has the highest degree of realism and whose performance is expected to best meet the Foundation specifications as reflected in the statement of works or terms of reference.

B. Fairness, Integrity and Transparency

The Foundation is responsible for protecting the integrity of the procurement process and maintaining fair, impartial, transparent procurement activities.

C. Effective Competition

The objective of the Foundation competitive processes as described in the guidelines below is to provide all eligible prospective offerors with timely and adequate notification of the Foundation requirements and an equal opportunity to tender for the required goods and services.

The Foundation does not accept procurement awarded to exclusive suppliers, unless otherwise explicitly mentioned in a donor's agreement. However, any such restrictive procurement provisions within an agreement must obtain prior approval of the Foundation Executive Director and the Board of Trustee.

3. Procurement Ethics

1. The Foundation requires that all personnel responsible for procurement activities to observe the highest standard of ethics throughout the procurement process.
2. The Foundation procurement process must allow offerors to compete for the Foundation business on a fair, equal and transparent basis. Staff associated with the procurement function, therefore are responsible for protecting the integrity of the procurement process and maintaining fairness in the Foundation's treatment of all offerors.
3. All staff involved in performing procurement activities must be free of conflict of interest. Moreover, they should adhere to the following standards of conduct:
  - During the procurement process, employees must not allow offerors access to information, whether technical, financial or any other nature, on a particular acquisition before such information is available to the pool of offerors at large;
  - The foundation employees may not use unnecessary restrictive specifications, statements of work or terms of reference that may discourage competition;
  - Employees having financial interest (full or partial ownership) with offeror(s) responding to the Foundation solicitation, are prohibited from any involvement in the procurement process;
  - Employees having personal or professional interests with direct or indirect influence in an offeror responding to the Foundation solicitation, are prohibited from any involvement in the procurement process. Personal or professional interests include, but are not limited to:



- Any organization, or company over which the staff member, alone or together with an immediate family member (i.e., employee's spouse or dependent children), exercises any interest; or
  - Any executive position or membership on the offeror's board regardless of compensation; or
  - Any position that includes responsibilities for a significant segment of the offeror's operation or management of a business.
- Any procurement personnel maintaining a conflict of interest or potential conflict should immediately notify his/her immediate supervisor and the Foundation Executive Director.

#### 4. Procurement Process

1. The A.M. Qattan Foundation procurement process includes the following components:
  - A. Procurement Planning
  - B. Requisitions
  - C. Sourcing of Suppliers
  - D. Procurement Methods
  - E. Procurement Committee
  - F. Award of Contract
  - G. Contract Management



- A. Procurement Planning
1. Procurement planning is essential for the timely solicitation of quotations, bids or proposals. Procurement planning entails more than the selection of procurement methods or when to schedule procurement activities, rather it combines the legal and institutional frameworks in which procurement must be carried out.
  2. The Foundation's DoF, DCRD and Programme Directors are responsible for preparing the annual procurement plans and associated budgets. Procurement plans are then approved by the Executive Director and BoT.
  3. The Procurement plan should itemize all goods and services expected to be procured during the year. The procurement plan shall not be considered as an all inclusive plan but a base line for the foreseeable procurement activities.
  4. Procurement commences subsequent to the BoT approval of the budgets. Any procurement activities outside the parameters of the annual approved procurement plan shall be approved by the Executive Director and BoT. Refer to the budget section in case the approved budget ceiling has been exceeded.
- B. Requisition
1. A procurement requisition could include but not limited to:
    - Detailed description and specifications of goods/services;
    - Detailed Terms of Reference for services sought;
    - Quantity of units to be procured;
    - Unit of measure;
    - Required delivery/engagement date;
    - Delivery location or location of services to be performed;
    - Estimated price or cost per unit and in total; and
    - Any additional information (i.e., standardization, preferred method of shipment, terms of payment, terms and conditions).
  2. The Administration and Finance Unit Head/Officer is responsible for preparing the requisition based on the approved procurement plan and budget.
- C. Sourcing of Suppliers
1. Essential to effective competition and the promotion of fairness, integrity and transparency, the Foundation is committed to an all inclusive approach towards procurement. Therefore, the first step in sourcing vendors or potential suppliers is to identify whether there exists a market to provide the required goods or services then to determine who the key suppliers within the existing market are.

#### 1.1 Market Research

The first step in sourcing suppliers is often market research, particularly if the product or service has not previously been procured. The Foundation may obtain names of potential suppliers through registration of prospective suppliers at the Palestinian related ministries; chambers of commerce; Yellow Pages, Labor Union, consulting other ...etc.



## 1.2 Expression of Interest

An expression of interest (EOI) is a cost-effective method to continually update the Foundation's supplier database. An EOI is a written communication prepared by the supplier providing information about their products, services, resources, qualifications and experience. The Foundation solicits an EOI by publishing a notice on the websites or newspapers.

## 1.3 Prequalification of Suppliers

The Foundation may alternatively prequalify potential suppliers, who meet established criteria to ensure that offers are sought only from qualified suppliers. It should be noted that prequalification does not preordain a contract rather it is a tool to evaluate the supplier ability to deliver or perform the needed goods or services.

The prequalification process ensures that solicitation documents are extended only to those with adequate capabilities and resources. "Advertisements and Invitations for Prequalification" should provide a brief description of the goods and/or services to be procured; contract conditions; and eligibility requirements.

Once a roster of potential qualified suppliers has been generated, the Foundation should begin evaluating each supplier's capabilities and resources to successfully perform on a contract, if awarded. Key parameters, which guide supplier appraisal, include:

- Technical capacity & financial strength to deliver the goods and/or services as per schedule;
- The commitment of the supplier to comply with Foundation procurement general terms and conditions;
- Compliance with national or international quality standards for the product on offer;
- The capacity to provide after-sales-service for the goods or services provided; and,
- Compliance with local laws.

2. The Foundation should maintain a database for all approved suppliers. The database shall be composed of files for the approved suppliers, the files should contain available products, specifications of supplier experience with the related products and history of dealings with the Foundation
3. The approved list of suppliers should be regularly updated by the Foundation, and approved by the Executive Director.

## D. Procurement Methods

The Foundation may use a variety of procurement methods for the solicitation and tendering of goods and/or services. The method selected depends upon a number of



factors including the type of good or service as well as its value. Commonly used methods are:

- Request for Quotation- (RFQ);
- Invitation to Bid- (ITB); and,
- Request for Proposal- (RFP).

### **Request for Quotation (RFQ)**

A Request for Quotation (RFQ) is commonly used for the procurement of goods and/or services where the contract value is between USD 1 and USD 5,000. If the goods and/or services are required on a repetitive basis and the cumulative value of the contract exceeds USD 5,000 in the fiscal year, the Foundation should use either an ITB or RFP depending on its particular requirements.

For purchases between USD 1 and USD 1,000 three price quotations must be requested, received and documented either through mail, phone, fax or local shopping. Furthermore, for purchases between USD 1,001 and USD 5,000 three price quotations must be requested, received and documented either through fax, mail or email where effective internal controls permit such acceptance.

The RFQ shall include but not limited to:

- Cost per unit;
- Specifications;
- Commercial terms and conditions for the required goods and/or services;
- Payment and delivery terms.

In compliance with effective competition, the Foundation shall evaluate quotations amongst a minimum of three responsive and award contract to the lowest price taken into consideration that the supplier has met the basic eligibility criteria as indicated in the request for quotation document. In case local laws set different procurement thresholds, the Foundation must follow its policy or the local laws whichever sets the lower threshold amount.

### **Receipt of Quotations:**

It is the responsibility of offerors to ensure that the offers are delivered to the Foundation through the methods identified above. Moreover, it is recommended to extend the deadline to accept offers till the close of business day.

If offers are delivered by hand or mail, they should be in a sealed envelope. Offerors should obtain a receipt from the Foundation as a record of the date and time of delivery.

The request for quotation documents must clearly stipulate that all competitive quotations are due upon a specified date and time and the Foundation will not accept offers after the stated date and time. Offers received after the designated date and time should be immediately returned unopened and accompanied with an explanatory letter indicating the date and time of receipt.

For offers accepted by email, the Foundation should create a specific email address for Offerors to forward their tenders. An individual unaffiliated with procurement activities should open such emails. The password for this email shall not be shared with any individual other than the person referred to above. Subsequent to completing the procurement task this email account must be deactivated.

### **Quotations Evaluation:**



Upon the receipt of quotations, the offers should be assessed by the Procurement Committee. All quotations should be evaluated against:

- Conformity to specifications;
- Product quality;
- Delivery time and terms;
- The unit price and/or overall cost; and,
- Reliability and past experience with the supplier.

In the case of Request for Quotations, prices serve as the overriding measure upon which to award a contract unless the offer is rejected for a specific justified reason.

### **Invitation to Bid (ITB)**

An Invitation to Bid (ITB) is generally used for the procurement of goods and/or services where the contract value is expected to be between USD 5,001 and USD 20,000.

ITBs warrant public advertisement or the solicitation of bids from a short-list of qualified vendors. If short-listed vendors is used, then adequate justification (i.e., prequalification of vendors) must be documented.

In compliance with effective competition, the Foundation shall evaluate bids amongst a minimum of three responses and award contract to the lowest price taken into consideration that the supplier has met the basic eligibility criteria as indicated in the invitation to bid document.

In case local laws set different procurement thresholds, the Foundation must follow its policy or the local laws whichever sets the lower threshold amount.

### **Receipt of Bids:**

It is the responsibility of offerors to ensure that the offers are sealed in a stamped envelope and submitted to the Foundation by the designated date and time. Moreover, it is recommended to extend the deadline to accept offers till the close of business day.

If offers are delivered by hand, Offerors should obtain a receipt from the Foundation as a record of the date and time of delivery.

The invitation to bid documents must clearly stipulate that all competitive bids are due upon a specified date and time and the Foundation will not accept offers after the stated date and time. Bids received after the designated date and time should be immediately returned unopened and accompanied with an explanatory letter indicating the date and time of receipt.

For ITB documents, an individual, not directly related to the procurement function, should receive all offers. All bids should be time/date stamped upon receipt and placed in a locked container, such as a cabinet or safe until the bid opening time and date. Access to the container shall be confined to the personnel duly authorized by the Executive Director.

For offers accepted by email, the Foundation should create a specific email address for Offerors to forward their tenders. An individual unaffiliated with procurement activities should open such emails. The password for this email shall not be shared with any individual other than the person referred to above. Subsequent to completing the procurement task this email account must be deactivated.

Any bids inadvertently opened prior to the due date must be brought to the attention of the Executive Director immediately for further action.





### **Bids Evaluation:**

It's recommended to open all received bids on the same day as the deadline for receipt of offers. Furthermore, during the opening meeting session all received bids documents must be signed by the procurement committee.

All received bids should be accompanied by summary sheet indicating the following:

- Offeror's name and place of business;
- Bid price and currency;
- Bid security, if requested; and
- Discounts, if any proposed by offeror.

All bids must be evaluated against the specifications, statement of works or TOR as stipulated in the solicitation documents, and:

- Product quality;
- Delivery time and terms;
- Compliance with Foundation General Terms and Conditions; i.e. after-sales services; spare part(s) availability for the required period;
- Technical and financial capacity of the offeror; and
- The proposed price.

All bids should be tabulated on a summary sheet duly signed and certified by the Procurement Committee. Only bids offering goods or services with the characteristics meeting or exceeding those in the specifications and commercial terms shall be considered acceptable.

Finally, price serves as the overriding measure upon which to award a contract unless the offer is rejected for a specific justified reason.

### **Request for Proposals (RFP)**

A Request for Proposal (RFP) is generally used for the procurement of goods and/or services where the contract value exceeds USD 20,000.

RFP warrant public advertisement or the solicitation of bids from a short-list of qualified vendors. If short-listed vendors is used, then adequate justification (i.e., prequalification of vendors) must be documented.

In compliance with effective competition, the Foundation shall evaluate bids amongst a minimum of three responses and award contract to the supplier who scores the highest technical and financial points.

In case local laws set different procurement thresholds, the Foundation must follow its policy or the local laws whichever sets the lower threshold amount.

### **Receipt of Proposals**

It is the responsibility of offerors to ensure that the offers are sealed in a stamped envelope and submitted to the Foundation by the designated date and time. Moreover, it is recommended to extend the deadline to accept offers till the close of business day.

If offers are delivered by hand, Offerors should obtain a receipt from the Foundation as a record of the date and time of delivery.



The request for proposal documents must clearly stipulate that all competitive quotations proposals are due upon a specified date and time and the Foundation will not accept offers after the stated date and time. Proposals received after the designated date and time should be immediately returned unopened and accompanied with an explanatory letter indicating the date and time of receipt.

For RFP documents, an individual, not directly related to the procurement function, should receive all offers. All proposals should be time/date stamped upon receipt and placed in a locked container, such as a cabinet or safe until the bid opening time and date. Access to the container shall be confined to the personnel duly authorized by the Executive Director.

For offers accepted by email, the Foundation should create a specific email address for Offerors to forward their tenders. An individual unaffiliated with procurement activities should open such emails. The password for this email shall not be shared with any individual other than the person referred to above. Subsequent to completing the procurement task this email account must be deactivated.

Any proposals inadvertently opened prior to the due date must be brought to the attention of the Executive Director immediately for further action.

### **Proposals Evaluation:**

Upon the receipt and opening of proposals, all offers are to be evaluated by the procurement committee. The committee must first open the technical proposal, followed by the financial proposals which should be received in two separate envelopes.

A technical proposal shall be considered non-responsive and rejected, if it fails to substantially satisfy the specifications, or TOR, or it fails to achieve a minimum technical score which is 70 percent as specified in the RFP.

The offeror's response to the solicitation document is evaluated and points are attributed based on how well they meet the defined desirable criteria. An offer should be considered qualified and responsive if it receives a score of at least 70 percent on the technical proposal. Any offers, which do not meet this requirement, must be rejected as being non-responsive.

The financial proposal of only those offerors obtaining the minimum 70 percent score or above during technical evaluation should be opened. The remaining financial proposals of offerors whose technical proposals are deemed unacceptable shall be remain unopened.

The highest designated weightings of both the technical and financial proposals win the contract.

### **Evaluation method**

The evaluation method is called the Quality and Cost Based Selection. A three-stage process shall be utilised in evaluating the proposals, a technical evaluation and a financial evaluation.

#### **Step 1: Technical Rating**

The criteria to be used to assess the technical quality of the proposals must be modified as required and the division of scores must be adapted according to the requirements of the specific procedure and the specific project.



### Technical Evaluation Criteria

Summary of Technical Proposal Evaluation Forms		Maximum Points Obtainable	Supplier				
			A	B	C	D	E
1.	[insert evaluation criteria]	40					
2.		40					
3.		20					
<b>Total</b>		<b>100</b>					

Note: the score weight should be adjusted to the specific project

### Step 2: Financial Rating

The formula for determining the financial scores shall be the following:

$FS = 100 \times FL/F$ , in which

FS: is the financial score

FL: is the lowest price and

F: is the price of the proposal under evaluation

The lowest Financial Proposal (FL) will be given a financial score (FS) of 100 points.

### Step 3: Overall Rating

Proposals will then be ranked according to their combined technical (TS) and financial (FS) scores using the weights of 70% for the Technical Proposal; and 30% for the offered price.

Each proposal overall score shall therefore be:  $TS \times 70\% + FS \times 30\%$

The proposal with the highest overall score shall win the contract.

### Credit Card

For e-procurement activities and any other financial obligations to suppliers that could not be settled by cash, checks or bank transfer, the Foundation may use its Credit Card to remit payments. The Credit Card should not however be used for the procurement of capital assets valued at USD 1,000 or more or having a life of three years.

To apply for a new Credit Card, the Foundation's Executive Director must obtain the approval of the Board of Trustees.



### **Procurement in Crisis Situations**

In a crisis situation (time of war, recovery from man-made or natural disaster) an attempt is generally made to give priority to “curative operations” to recover from the crisis situation, through emergency procurement intervention. In such situations, with the need for quick action and immediate results, deviations from normal procurement rules may be made given the Executive Director and the Board of Trustees approvals.

#### **E. Procurement Committee**

A Procurement Committee (PC) should be established by the Executive Director for any procurement actions in excess of USD 1,000.

The committee should prepare:

- The procurement solicitation document;
- Performing evaluation of received offers;
- Ensure that the proposed procurement and contract action is in accordance with Foundation Financial Regulations;
- Ensure that the procurement process is fair, competitive, transparent and provides the best value for money; and,
- Review the financial and legal implications of the proposed contract.

For procurement actions between USD 1,000 – 10,000, the procurement committee should be comprised of at least three individuals including the Administrative Officer or his/her delegated representative. In this case, after the procurement committee is complete all the purchasing documents should be submitted to the Director of Finance and the Executive Director.

For procurement actions in excess of USD 10,000, the procurement committee should be comprised of following members:

- Executive Director or his/her delegated representative;
- Director of Finance or his/her delegated representative;
- In case of purchases related to a programme, the relevant Programme Director or his/her delegated representative;
- Administrative Officer or his/her delegated representative and,
- Unit Head or his/her delegated representative.

The procurement committee may include external specialists (external specialists may include engineers, computer specialists .... etc.) for the evaluation of the quotation, bid or proposal and for supplier selection.

The Executive Director shall appoint a secretary to the PC. The Secretary shall coordinate PC meetings; distribute and present relevant documentation to the PC members to facilitate their meetings; prepare PC reports and any correspondence; as well as maintain a permanent record of all documentation and reports. The Secretary shall retain no voting authority in the PC meetings.



## F. Award of Contract

Once the Procurement Committee identifies an offeror that meets the prescribed requirements and whose tender has been determined (1) to be substantially responsive to the solicitation documents, and (2) to offer the best value for money, it seeks the approval of the Director of Finance and the Executive Director for the solicited offer as evident by signed contract. Contracts are only awarded in the case of an ITB and an RFP.

The contract is an agreement between the Foundation and the winning offeror (supplier providing goods or services), which demonstrates:

- The parties' intent to contract;
- A clear offer and a clear acceptance of the offer;
- The parties are legally capable of contracting;
- A price and time schedule has been set for the Foundation to pay the supplier;
- A clear agreement between contracting parties about the terms and conditions of the contract.

### Contract Amendments

Once a contract has been awarded and signed, the Foundation is permitted to amend provisions in one of two situations:

- Contract provisions dictate modification; or
- In furtherance to the execution of the original contract additional related goods or services are to be rendered by the same supplier.

All requested amendments must cite the revised contract provision(s) and the original provision(s). It shall then be submitted for review and approval by the Executive Director. For contracts with a values of over 50,000 USD any amendments require the Board of Trustee approval.

### Debriefing Unsuccessful Offerors

In general, the Foundation does not debrief unsuccessful offerors. In the case of highly technical or complex awards, however, a debriefing may be conducted upon request from an unsuccessful offeror. The scope of the debriefing meeting is limited to an identification of technical deficiencies or weaknesses within the offeror's proposal. The Foundation is required not to discuss with suppliers (1) the financial or cost information of other offerors; (2) the evaluation scoring; or (3) other proposals received.



## Protest Procedures

Any offeror who is aggrieved in connection with the solicitation or award of a contract may file a protest with the Foundation. To be complete, protests must contain the following information:

- The protestor's name, address, telephone number and fax number;
- The solicitation or contract name and number;
- A detailed statement of all factual and legal grounds for protests, and an explanation of how the protester was prejudiced;
- Copies of relevant documents supporting protester's statement; and,
- All information establishing that the protestor is an interested party for the purpose of filing a protest.

Any incomplete protest received by the Foundation will not be considered.

Upon receipt of a written protest, responses must solely be prepared and executed by the Foundation's Executive Director.

Once protest is received, the Foundation must:

- Issue a written acknowledgement of receiving the protest within two working days to the protester;
- Initiate an investigation of the protestor's allegations;
- Following the conclusion of the investigation, document the results in the form of memorandum to the procurement files;
- If necessary, seek an advisory of the Board of Trustees and Legal Representative; and
- The Executive Director shall prepare a letter that responds to the issues raised by the protestor and addresses any other issues, which, even if not raised by the protestor, have been identified by the investigation as being relevant to the fairness of the procurement process.

## G. Contract Management

Contract management is the process which ensures that all parties to the legally binding agreement fully meet their respective obligations as efficiently and effectively as possible.

The contract management process allows the Foundation to track and manage the clauses, terms, conditions, commitments and milestones throughout the life of a contract to maximize business benefits and minimize associated risks.

## Advance and Progress Payments

Except where normal commercial practice or the interests of Foundation so require, no contract or purchase order shall be made on behalf of Foundation requiring an advance payment(s) for goods or the performance of contractual services. If an advance payment is agreed to, all reasons therefore shall be documented. If the contract calls for an advance payment exceeding USD 20,000 the supplier shall be asked to provide a bank guarantee (valid for the duration of the contract) or certified check. The advance payment, in all cases, should not exceed 20 percent of the total contract amount.

In the case of progress payments, the Executive Director may, where appropriate (i.e., in the interest of Foundation) authorize such payments. Progress payments, however, should be linked to the successful completion of requested deliverables.



### Payment Terms

In the case of goods, payment should correspond to the agreed upon delivery terms. In all cases, payment should be made within 30 days upon receipt of procured goods and original invoices.

### Breach of Contract

Suppliers are liable for any material breach of their contractual obligations. A material breach is defined as when the Foundation is deprived of significant value reasonably expected from the contract. If a Supplier materially breaches an obligation(s), the Foundation should provide written notice to the supplier, allowing the supplier a reasonable period of time to cure the defect. In the event that the supplier fails to cure the alleged breach, the Foundation must inform the Board of Trustees and seek legal advice.

### Termination of Contract

A contract can be terminated when (1) there is a material breach of the entire contract and the breach has not been cured or waived; or (2) the agreement allows cancellation for the breach. However, termination of a contract is not a recommended course of action. If the Foundation still wishes to seek termination, the Executive Director should contact Board of Trustees for approval and legal representation for guidance.

### Supplier Performance Evaluation

To develop and maintain a list of qualified Suppliers, the Foundation should evaluate the supplier's performance. The Foundation should assess the supplier's performance identifying whether the supplier "meets the expectation," "does not meet the expectation" or "exceeds the expectation under the following attributes:

- Quality of good and services;
- Delivery;
- After-sales service;
- Accuracy of documentation;
- Speed of response; and
- Cooperation.

Note:

The following checklist may be used to assist in the preparation of instructions to Offerors and indicates subjects that should be addressed:

<b>Procurement Activity</b>	<b>Status</b>
Language of the offer.	
Currency of prices	
The Foundation is VAT exempt entity; all payments will be made subsequent to receiving the original zero VAT invoices.	
The Foundation reserve the right to divide tenders among offerers (Fully or Partially)	
Number of copies required.	
Validity period of the offer.	



Warranty period of the goods and/or services requested.	
Any document(s) other than those issued as a part of the solicitation document which offeror must include in the tender (e.g., technical description, drawings, quality control, environmental impact).	
Procedures for dealing with queries raised by offerors.	
Instructions for packing, labeling and addressing the offer.	
Circumstances under which alternate offers may be submitted.	
Arrangements for the opening of tenders.	
Procedures for dealing with arithmetic errors found in offers during evaluation.	
Evaluation criteria.	
Rules relating to the disqualification or rejection of offers (e.g., late submissions, transposed figures, incomplete submissions, deviations).	
Procedures for dealing with protests.	





**Summary of the Procurement Methods**

<b>Procurement Methods Schedule</b>					
<b>Type of Procurement method</b>	<b>Threshold in USD</b>	<b>Minimum # of bids required</b>	<b>Means of Bid</b>	<b>Award of Contract To</b>	<b>Evaluation Criteria</b>
Request for quotation-RFQ	1 - 1,000	3	1-Phone 2-Fax 3-Local shopping	Lowest price, taking into consideration that the supplier has met basic eligibility criteria	<ul style="list-style-type: none"> <li>• Conformity to specifications</li> <li>• Product quality</li> <li>• Delivery time and terms</li> <li>• Unit price &amp; overall cost</li> <li>• Past experience with the supplier</li> </ul>
	1,001 – 5,000	3	1- Fax 2-Mail 3-E-mail	Lowest price, taking into consideration that the supplier has met basic eligibility criteria	<ul style="list-style-type: none"> <li>• Conformity to specifications</li> <li>• Product quality</li> <li>• Delivery time and terms</li> <li>• Unit price &amp; overall cost</li> <li>• Past experience with the supplier</li> </ul>
Invitation to bid-ITB	5,001 - 20,000	3	1- Public Advertisement 2- Solicitation of bids from a short list of qualified vendors	Lowest price, taking into consideration that the supplier has met basic eligibility criteria	<ul style="list-style-type: none"> <li>• Product Quality</li> <li>• Delivery time &amp; terms</li> <li>• Compliance with Foundation terms &amp; conditions</li> </ul>
Request for proposal-RFP	Above 20,000	3	1- Public Advertisement 2- Solicitation of bids from a short list of qualified vendors	Supplier with the highest technical and financial points	According to Quality and Cost Based Selection method



## Fixed Assets

### 1. Overview

#### **Purpose:**

The purpose of this document is to provide guidelines for fixed assets policies and procedures to be used by the Foundation in order to ensure that fixed assets are:

- Properly purchased, capitalized and recorded;
- Properly classified and reported;
- Physically safeguarded;
- Protected against misuse;
- Properly depreciated and disposed off;

#### **Scope:**

These policies and procedures are applicable to all of the Foundation's fixed assets activities with no exception noted.

#### **Responsibility and Authority:**

The overall responsibility for the proper implementation and use of these policies falls under the responsibility of the Executive Director, Director of Finance, Programme Director, Administrative Officer, Administrative and Finance Officer.

### 2. Fixed Assets Purchases

1. Fixed assets purchasing activities are described in Procurement policy and procedures section in this manual.
2. The cost of fixed assets consists of including but not limited to:
  - Purchase price, including tax and customs taken into consideration any offered trade discounts or rebates;
  - Shipping and handling fees, including insurance; and,
  - Installation costs.

### 3. Fixed Assets Capitalization

1. A purchase of an asset should be capitalized if both of the following conditions are met:
  - The unit cost is more than USD 400.
  - It's useful life is more than twelve months.
2. Major repairs and maintenance works should be capitalized, if **all** the following conditions are met:
  - The maintenance cost is greater than 50% of the cost of the maintained asset;
  - The maintenance cost is equal to or more than USD \$ 1,000; and,



- The useful life of the asset is increased by more than a year as a result of the maintenance.

#### 4. Fixed Assets Classification

##### 1. The Foundation's fixed assets are classified under the following categories:

- Buildings;
- Lands;
- Office Furniture & Fixture;
- Office Equipments;
- Communication Systems;
- Electrical and Mechanical Equipments;
- Multi Media;
- Computers including hardware and software;
- Library Books and Electronic Resources; and,
- Vehicles.

##### 2. Any new categories added to the list above shall be recommended by the Director of Finance and approved by the Executive Director.

#### 5. Fixed Assets Recording and Safeguarding

##### 1. All purchased fixed assets shall be recorded into the Foundation's General Ledger promptly upon receipt.

##### 2. The following should be completed before posting the purchase fixed assets to the General Ledger:

- Define the item and give it a code.
- Define the fixed assets account.
- Define the depreciation expense account.
- Define the accumulated depreciation account.
- Define depreciation rate.

##### 3. All Fixed Assets should be assigned a coded serial number which is affixed on the asset.

##### 4. A fixed assets register should be maintained to track all fixed assets that are owned by the Foundation. This register should include the details of each type of fixed asset and should provide the following information.

- Item code;
- Item description;
- Date of purchase;
- Cost;
- Depreciation rate;
- Accumulated depreciation; and,
- Net book value.

##### 5. The fixed assets register should be safely-kept at all times; access and change authority should be vested in the Director of Finance or his/her delegate.



6. Fixed assets register should be updated so that it reconciles with the accounting program all the time.
7. The Foundation fixed assets should be physically counted on annual basis or as deemed necessary in order to determine the physical status of the assets and to decide on the action to be taken. The fixed assets count should be documented and the counting personnel should compare the physical count to the fixed assets register to ensure that the register is reconciled and up-to-date. Any noted variances shall be promptly investigated and discussed with the Foundation's Executive Director.
8. The annual fixed assets physical count shall be performed by individuals who are independent and do not have access to the fixed assets register. However, the count must be monitored by the Director of Finance or his/her delegate.
9. All the Foundation's fixed assets should be covered by an insurance policy. The insurance should cover the replacement cost of the assets or at least the net book value.
10. Employees will be responsible for losses resulted from negligent or misuses of the Foundation's facilities and properties.
11. Fixed assets whose cost had been charged to a certain project should be clearly identified in the fixed assets register, and should be used only for authorized purpose of the project in accordance with the project's approved budget.

#### 6. Fixed Assets Depreciation

1. Depreciation of the Foundation's fixed assets is to be computed using the straight – line method over the estimated useful lives of the assets based on the following annual rates.

<b>Assets Type</b>	<b>Depreciation Rate</b>
Building	5%
Land	0%
Office Furniture & Fixture	15%
Office Equipments	15%
Communication Systems	20%
Electrical and Mechanical Equipments	20%
Multi Media	20%
Computers including (Hardware and Software)	30%
Library Books and Electronic Resources	10%
Vehicles	20%

#### Notes:

- Depreciation rates should be consistently used from one accounting period to another; and,
  - Depreciation should be considered when preparing financial reports in order to give a fair view of the accounts.
2. Depreciation should be computed annually and charged to expense until the net book value of fixed assets is zero.



3. Annual depreciation expenses should be computed and allocated to Programmes and General Management. The allocation should be based on the direct assets relation to Programmes and General Management.
4. Fully depreciated assets should be carried on the books at net book value of zero USD or at its salvage value, retaining their original costs and corresponding accumulated depreciation.
5. The assets which are not in use should be recommended for disposition.

## 7. Fixed Assets Disposal

1. The Executive Director and the Director of Finance are responsible for any disposal and / or write off of fixed assets.
2. The authorization limits for the disposal and / or write – off of the fixed assets are as follows:

<b>Net Book Value (per item)</b>	<b>Required Level of Approval</b>
Up to U.S. \$ 5,000	Executive Director and Director of Finance
Over U.S. \$5,000	Disposal Committee and Board of Trustees

Note: the disposal committee is composed of the following

- Executive Director or his/her delegate;
  - Director of Finance or his/her delegate;
  - Programme Director; and,
  - Administrative Officer.
3. All fixed assets disposal and write-off transaction should be supported by an Assets Disposal Memorandum. The ADM should include all details pertaining to the subject asset including the reason of the disposition and shall be approved as per the authorization limits mentioned above.
  4. For fixed assets to be sold, depreciation expenses should be computed up to the date of the sale.
  5. Calculation of, and accounting for gains or losses on disposition of fixed assets should be made by the Director of Finance and recorded in the year of disposition.



## Financial Reporting

### 1. Overview

#### **Purpose:**

The purpose of this chapter is to ensure that:

- Financial reports are prepared in accordance with the International Accounting Standards (IAS) and Generally Accepted Accounting Principles (GAAP) applicable to not-for-profit organizations.
- Financial reports are properly prepared to serve management's needs and the A.M. Qattan Foundation needs on a timely, reliable, and relevant basis.
- Financial reports should provide timely and regular information on the Foundation and its resources and funds.
- Financial reports should enable the reader to gain an understanding of the Foundation's activities.
- Documents related to financial reporting are physically safeguarded.

#### **Scope:**

This policy is applicable to all activities relating to financial reporting.

**Responsibility and Authority:**

The overall responsibility for the proper implementation and use of these policies falls under the responsibility of the Executive Director, Director of Finance and accounting staff.

**2. Closing of Accounts****General Ledger Closing**

1. The Director of Finance must close the financial records on a monthly basis.
2. A monthly review of accrued expenses should be performed to ensure that recorded amounts are accurate. A similar annual review should be performed on prepayments.
3. All reports should be reconciled with general ledger balances prior submitting to management.
4. All discrepancies should be investigated and corrected before closing.

**Year End Adjustments**

5. All post balance sheet accounting adjustments and reclassifications should be approved by the Director of Finance.
6. Accounting adjustments and reclassifications should be properly supported and documented.

**Backup of Accounting Data**

7. Accounting data should be backed up daily by the IT administrator. All backups are to be safe-kept in a location away from the accounting computers and supporting documents.
8. After the issuance of the audited statements for the year, a complete set of accounting reports should be filed in a special file. These accounting reports should include at least the following:
  - Statement of Financial Position;
  - Statement of Activities;
  - Trial Balance; and,
  - Projects and programs budget expense reports.

**3. Monthly and Semi-annual Reporting**

1. The monthly actual versus budget report shall be submitted by the Director of Finance to the various Programmes Director subsequent to the Executive Director review by the 15th of the following month.
2. The semi-annual reports shall include but not limited to (a) all income sources (external and internal) (b) the actual expenditures (c) Account Receivables and Payables (d) budget versus actual expense comparison (e) bank account balances. It is the responsibility of the Director of Finance to prepare and submit the report to the Executive Director.



#### 4. Year End Reporting

##### **Financial Reports:**

1. The Foundation's fiscal year starts on April 1 ends on March 31.
2. Year-end reporting is the responsibility of the Director of Finance.
3. The year-end report shall include but not limited to (a) all income sources (external and internal) (b) the actual expenditures (c) Account Receivables and Payables (d) budget verse actual expense compression (e) bank account balances (f) statement of financial position (g) Statement of Activities (h) statement of change in net assets (i) Employees severance pay provision (j) Employees provident fund provision. It is the responsibility of the Director of Finance to prepare and submit the report to the Executive Director.

##### **Annual Financial Statements**

4. The annual financial statements should be prepared in accordance with SFAS 117.
5. The annual financial statements should include:
  - Statement of financial position.
  - Statement of Activities
  - Statement of cash flows
  - Notes and disclosures.
6. The annual financial statements are to be audited by an International Certified Public Accounting Firm. The audit should be conducted in accordance with international Standards on Auditing and the "AICPA Not-For-Profit Organizations Audit and Accounting Guide"
7. The annual audited financial statements should be reviewed and approved by the Foundation's Director of Finance, Executive Director and the Board of Trustees.

#### Annex - 1 Accounting Vouchers

1. All accounting vouchers should be serially numbered.
2. Only authorized users are allowed to complete the vouchers.
3. Vouchers should be free of errors, omissions and alterations. In case of modification a new voucher should be used.





4. All copies of the canceled vouchers should be maintained and voided in a way to prevent their reuses.



## Annex - 2 Accounting Records & Journal Entries

1. The following records and sheets should be used by the Foundation in order to maintain a proper internal control, as well as proper documentation of its accounting transactions. These forms and sheets are as follow:
  - General Journal and subsidiary ledgers (maintained through the accounting software);
  - Bank Book/Ledger;
  - Petty Cash Record;
  - Petty Cash Replenishment Request;
  - Contributions Report;
  - Fixed Assets Register;
  - Employees Time Sheet;
  - Travel Summary Reports; and
  - Payment Request Form.
2. All accounting vouchers and records must be retained at the Foundation for ten years or as required by law and/or donors whichever is more.
3. Segregation of duties should be assured by separating record keeping from authorization and custody. However any exceptions shall be recommended by the Executive Director and approved by the Board of Trustees.
4. Access to records is limited to authorized persons.
5. All journal vouchers should be reviewed and approved by the Director of Finance.
6. Data previously entered into the computer system, revised and approved by the Director of Finance, should not be altered to prevent unauthorized modifications.
7. Adjustments should be made by correcting entries themselves. Rather, the effect of the wrong entry should be reversed, then the correct entry made.
8. All journal vouchers should be supported by proper, valid and original legal documents.
9. Accounting transactions should be classified according to the standard chart of accounts prescribed by management.



## Annex - 3 Overhead Allocation

### **General and Definition**

1. Some expenses are directly related to, and can be assigned to, a single project or a single supporting activity. Other expenses relate to more than one project or supporting activity, or to a combination of projects and supporting services.
2. Overheads are expenses which have been incurred for common or joint objectives and relate to more than one project or supporting activity, or to a combination of programs and supporting services.
3. The Foundation's main overheads includes the following:
  - Rent expenses;
  - Telephone, fax and internet expenses;
  - Electricity and water;
  - Stationary;
  - Office supplies;
  - Maintenance and cleaning;
  - Vehicle expenses;
  - Gardening;
  - Newspapers;
  - Casual wages; and,
  - Auditing fees.

### **Allocation Method**

4. When direct identification of expenses is impossible or impracticable, an allocation of these expenses is appropriate. A reasonable allocation of expenses among the foundation's functions may be made on a variety of bases. The simplified allocation method could be the proper allocation method to be used by the Foundation.
5. The allocation rates shall be recommended and applied by the Director of Finance subsequent to the discussion with the Executive Director.



## Glossary

### Definition of Main Financial Statements Accounts

- **Assets** – A resource controlled by an entity as a result of past events and from which economic benefits expected to flow to the enterprise.
- **Liabilities** – A present obligation of the entity arising from past events the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits.
- **Net Assets** - The residual in the assets of the entity after deducting all its liabilities
- **Expense** - Outflows or other using of assets or liabilities (or combination of both) from delivering or producing goods, rendering services or carrying out other activities that constitute the entity's ongoing major or central operations.
- **Revenues** - Inflows or other enhancement of assets of an entity of settlement of its liabilities (or combination of both) from delivering or producing goods, rendering services or other activities that constitute the entities ongoing major or central operation.
- **Chart of Accounts** - A document listing all of the General Ledger accounts (active or not active accounts) used by the Foundation. Any update of the chart of accounts should be approved by the Executive Director.
- **Overhead Expenses** - are expenses which have been incurred for common or joint objectives and relate to more than one project or supporting activity, or to a combination of programs and supporting services.
- Accounts Receivables
- Accounts Payables
- General ledger
- Trial Balance



## Reporting and classification of accounts

Resources should be divided into three classes unrestricted, temporarily restricted, and permanently restricted. To be restricted, resources must be restricted by the donor; internal designated resources are unrestricted, only contributed resources may be restricted.

- **Permanently restricted** include certain assets, that must be maintained or used in a certain way, and endowments, which represent resources that must be invested permanently with income to be used for either restricted or unrestricted purpose.
  - **Temporarily restricted** resources include unexpended resources that are to be used for a particular purpose, at a time future, or are to be invested for a period of time.
  - **Unrestricted resources** include all other resources including unrestricted contributions, the net amount from providing services unrestricted income from investments, etc. Resources are presumed to be unrestricted, unless evidence exists.
- 
- **Unrestricted Funds:** are those whose use by the Foundation is not restricted by the donors.
  - **Temporarily Restricted Funds:** are those whose use by the Foundation has been temporarily limited by the donor restrictions to a specific (a) Time period restriction or (b) Purpose restriction.
  - **Permanently restricted Funds:** are those that have been restricted by the donor to be maintained by the Foundation in perpetuity.
- 
- **Cash:** shall include currency on hand and deposits held by the Foundation financial institutions. i.e. petty Cash, Current "Checking" Accounts, and Time Demand Deposits accounts.
  - **Cash equivalents:** are short-term, highly liquid investments that are both (a) readily convertible to known amounts of cash; and, (b) so near maturity that, it presents insignificant risk of changes in value because of change in interest rates.