**Appendix D – NUPAS Questions for Consideration**

**First Criterion: Legal Structure**

* 1. Local Organization Definition
* Is this organization a Non-U.S. organization?
* If so, does the organization fit into the “local organization” definition? (Only for local limited competition.)
* Can the organization maintain its independent status or is it aware of potential “raiders”?
  1. Legal Requirements
* Is the organization legally registered to operate in this country of service?
* Does this organization have the required licenses, permits or certifications (if needed) to operate in this country of service?
* Is the organization aware and in compliance of its obligations under those licenses, permits or certifications (i.e., taxes, labor, occupational health, safety, environment or other material laws and regulations)?
  1. Organizational Structure
* Does the organization have a formal mission/vision?
* When was the organization established?
* Do the organization’s articles of incorporation, or charter or by-laws support its mission?
  1. Governance
* Does the organization have clearly defined roles and responsibilities for its board of directors and/or its governing board?
* Does the organization require integrity, ethical behavior and transparency of its board(s)?
* What is the composition of the board (i.e., gender, ethnic and age mix)?
  1. Control Environment
* Does the board have clear terms of reference (TOR) and a clear understanding of its key functions?
* Are board limits clearly defined and reasonable?
* Are board members and officers elected/appointed/removed in accordance with applicable laws and approved, written procedures?
* Does the organization have fiduciary risk controls covering board members, officers and employees?
* Does the organization have effective mechanisms for enforcement of such policies?
* Are those controls in place?

**Second Criterion: Financial Management and Internal Control Systems**

2.1 Banking Relationship and Accounts

* In which commercial bank(s) does the organization have its account(s)?
* Are such accounts “free and clear” of personal funds of board members, officers or employees?
* How often (if ever) are bank accounts reconciled?
* Does the organization have credible financial records sufficient for internal and external audit trail purposes?
* What action does the organization take on outstanding items; when is this action taken?
* Are bank reconciliations reviewed and approved by a responsible official?

2.2 Accounting/Bookkeeping System

* Does the organization have a reliable double entry accounting system?
* Are financial transactions entered into the system on a daily basis? If not, how often?
* Does the accounting system have functionalities to automatically reconcile subsidiary ledgers to the main ledger?
* Does the organization keep appropriate supporting documentation for accounting entries (journal vouchers, payment vouchers, receipts, invoices, other applicable documents)?

2.3 Chart of Accounts, General Ledger and Financial Statements

* Does the organization have a chart of accounts and a corresponding general ledger?
* Does the general ledger numbering system follow (if any) statutory country requirements?
* Are material financial transactions consistently recorded according to accounting standards?
* Does the organization consistently conduct trail balances from the general ledger?

2.4 Variance Analysis (Budget to Actual Cost)

* Are financial reports accompanied by budget data and variance analysis?
* Does the organization prepare variance analysis of program and operating financial data?

2.5 Allowable and Unallowable Cost

* Do the individuals authorized to approve payments have a clear understanding of what costs are allowable, allocable and reasonable?
* Who authorizes payments?
* Who records payments?
* Does the organization have a procedure in place to avoid duplicate payments?
* Does the organization have clear lines of communication between finance and program staff relative to allowable and unallowable costs (from a donor restriction perspective)?

2.6 Direct and Indirect Cost

* Does the organization’s accounting unit have a clear understanding of direct costs, indirect costs and cost allocation principles?
* Does this same unit understand the concept of “cost objectives” in relation to intermediate and final cost objectives?
* Does the organization have experience in accumulating direct and indirect costs by project?

2.7 Payments – Segregation of Duties

* Are there documented policies, procedures and practices that safeguard the payment process?
* Does the person receiving “cash” NOT have the authority to sign checks, reconcile bank accounts and no access to accounting records other than cash receipts?
* Are different employees responsible for purchases, receiving merchandise and services and approving vouchers?
* Do different people prepare checks, sign checks, reconcile bank accounts and record financial transactions?

2.8 Accounting Cycle – Segregation of Duties

* Does the organization have a well-documented delegation of authority system appropriate to its size?
* How many people are involved in the accounting cycle transaction?
* Is approval (from whom) obtained prior to disbursement of funds? Are these approvals documented?

2.9 Financial Records Management

* Where does the organization safeguard important documents including financial records?
* Does the organization have an effective and efficient filing and records management system?
* Does the organization have procedures in place for backup and recovery of important documents?
* Does the organization have a contingency plan in place for financial and operational continuity (in case of “sabotage” or a natural disaster)?

2.10 Sources of Funding

* How does the organization track its sources of funding?
* Do personnel have the skills needed for job cost accounting and fund accounting?
* What are the organization’s sources of funding (fee for service, activities, donors, programs, other)?
* Does management articulate the importance of diversification of sources of funding?
* Is “business development” an active responsibility of a specific unit in the organization?
* How does the organization promote itself?
* What has the organization done to actively promote itself over the past three years?

2.11 Financial Reporting

* Does the organization have written procedures for producing monthly financial statements from the General Ledger?
* Are these reports sufficiently informative to highlight abnormalities?

2.12 Audit and Review of Financial Statements

* If there are monthly financial reports, are these reviewed by the organization’s management?
* Does management take corrective actions based on its review of financial statements?
* Are financial statements reviewed on an annual basis by a third party based on the laws of the country?
* Does the organization have annual audits of their accounting records?
* Have audited reports received Qualified/Adverse/ or Disclaimer Opinions in the past three years?
* Has the organization ever received a Deficiency or Significant Deficiency in internal control?
* Does the organization have policies in place for closing audit findings and recommendations?

2.13 Financial Management Personnel

* What are the accounting qualifications of the accountant/bookkeeper?
* What level of understanding does that person seem to have of management and financial accounting standards, principles and practices?
* Does that person have the requisite ability to monitor operational and project budgets?
* Can that person prepare and monitor cash flow projections and statements?

**Third Criterion: Procurement Systems**

3.1 Procurement Policies, Procedures and Practices

* Does the organization have well-documented procurement policies that are appropriate to the country of service?
* Does the organization regularly apply those policies and procedures?
* Are these policies and procedures reviewed? (When? How often?)

3.2 Compliance with Policies and Procedures – Reasonableness of Price

* Does the organization have policies in place to require competitive procedures for procurement of goods and services?
* Who in the organization is responsible for purchases?
* Who in the organization is responsible for procurement policy compliance?

3.3 Procurement and Sub-awards

* Does the organization have written guidelines to avoid potential conflicts of interest?
* Do employees and management have a clear understanding of these guidelines?
* Does the organization conduct periodic “ethics” training for its employees?

**Fourth Criterion: Human Resources Systems**

4.1 Overall HR Policies and Procedures

* Does the organization have well-documented HR policies that meet their needs and reflect best practices?
* Does the organization maintain individual personnel files with original records of employment, rates and authorized deductions for every employee?
* Does the organization has an organizational chart?
* Do all key employees have written job descriptions?
* Is there a formal benefits/compensation plan in place?
* Do key personnel know their roles and responsibilities and delegations of authority?

4.2 Staff Time Management

* Does the organization have a well-documented staff time management system that captures, allocates and reports staff time, activities and costs?
* Do employees maintain timesheets/activity reports to reflect actual time worked?
* Are timesheets/activity reports signed and approved by supervisors?
* Does payment of salaries correspond to the information documented in the timesheets/activity reports?
* Do labor costs seem to be equitably distributed among projects?

4.3 Payroll System

* Are payroll taxes (if applicable) withheld and remitted according to local regulations?
* Is the payroll reconciled to the General ledger at least once a month?
* Does the organization have in place policies on compensation (salary scales and increases) for the different types and levels of employees?
* Are wages, salaries, overtime, etc. approved by management?

4.4 Travel Policies and Procedures

* Does the organization have well-documented travel policies?
* Does the organization enforce those policies?
* How are travel (cash) advances accounted for and monitored for compliance?

**Fifth Criterion: Project Performance Management**

* 1. Technical Evaluation Criteria

(Questions to be developed by the TEC)

* 1. Project Management Capacity
* Does the organization have a well-documented project management system?
* How regularly does the organization monitor progress on projects?
* How regularly, and how well does the organization produce project management reports?
* Does the organization have an internal project monitoring unit/team/group?
* Does the organization have the number of qualified project managers to meet its needs? If not, does it have the capacity to obtain additional qualified staff?

**Sixth Criterion: Organizational Sustainability**

6.1 Cash Flow Management

* What is the organization’s experience (and results) of developing, monitoring and using cash flow budgets?
* Does the organization consistently make payments to creditors and employees when due?
* Does the organization have any material past due accounts? If so how does the organization plan to liquidate those debts?
* Does the organization have any unliquidated advances?

6.2 Absorptive Capacity

* Does the organization have the capacity to absorb the level of effort necessary to implement an additional project/activity?
* Is the organization’s reputation such that it can hire qualified individuals to support implementation of additional projects and activities?
* Does the organization have the required systems in place for quality growth?

**Final cross-check:**

Using three years of financial statements (from the organization’s annual balance sheets and income statements), perform the following ratios: current, acid test, monthly defensive interval, and working capital turnover, to confirm the organization’s sustainability.