



Organizational Capacity Assessment (OCA)
Facilitator Guide
Financial Management Section Only

DRAFT September 2011

The OCA Purpose and Framework

Within USAID' Forward's Implementation and Procurement's Local Capacity Development (LCD) reform efforts, the OCA can be facilitated through a guided, interactive self-assessment with USAID's partners (NGOs, private businesses, and government counterparts) on an annual basis. This is based on the objective to enable organizational learning, team sharing, and reflective self-assessment within each partner organization. The tool is tailored to identify areas of need within management systems, project performance, program performance, and networking as well as reinforce healthy organizational practices. Through this process with a broad range of staff representation (all departments and levels represented), this snapshot promotes both a healthy, focused dialogue on organizational areas (and technical areas in year 2 and beyond through an additional tool) and leads to the development of an Action Plan identifying areas of high priority, ensuing steps, responsible staff identified, estimated completion dates, and additional support identified. Through the regular use of the OCA, an associated Action Implementation Plan, and supportive training/coaching/mentoring opportunities have demonstrated an increase in strengthening the self-sufficiency and sustainability of partners.

Acknowledgements

This compilation is based on a review and inclusion of the following Organizational Assessment Tools:

- The foundational tool is originally based on the New Partners Initiatives (NPI) OCA tool and process which was developed by Initiatives Inc. with contributions by John Snow Incorporated (JSI) under the USAID-funded New Partner's Initiatives Technical Assistance (NuPITA) Contract No. GHS-I-00-07-00002-00 and the CDC/HRSA-funded New Partner's Initiatives Technical Assistance (TA-NPI) Contract No. 200-204-05316.
- IDF originally based on USAID's TIPs #15
- Pact's Organizational Capacity Assessment Tool (OCAT)
- Discussion-Oriented Organizational Self-Assessment (DOSA) Tool
- NGO Sustainability Index

Additional Resources

- Initiatives Inc. (2009). *Organizational Capacity Assessment for NGOs*. Boston, MA: Published by Initiatives Inc. for the United States Agency for International Development Support for HIV and AIDS Response in Zambia Project (SHARe).
- Management Sciences for Health. (2003). *Rapid Assessment Tool for HIV/AIDS Environments: A Guide for Strengthening HRM Systems*. Cambridge, MA: Published by MSH for the U.S. Agency for International Development Management and Leadership Program.
- Venture Philanthropy Partners. (2001). *Effective Capacity Building in Non-Profit Organizations*. Reston, VA: Venture Philanthropy Partners.

Financial Management

Objective: The objective of this section is to assess the organization’s functionality by measuring its capacity to develop and apply policies and procedures, the existence and quality of financial systems, and staff knowledge of these systems.

The scoring criteria presented below apply to all Financial Management subsections and should be referred to for scoring.

Score	Criteria
1	<ul style="list-style-type: none"> • Documentation: Policies and procedures are not documented • Completeness: None of the items in the checklist are available
2	<ul style="list-style-type: none"> • Documentation: Policies and procedures are partially documented • Completeness: Some of the items on the checklist are available • Compliance: Existing items are not compliant with various donors’ rules and regulations • Relevance: Existing policies and procedures are not fully reasonable for the organization • Staff Awareness: Relevant staff are not aware of the policies
3	<ul style="list-style-type: none"> • Documentation: Policies and procedures are documented • Completeness: Most or all of the items on the checklist are available • Compliance: Existing items are compliant with various donors’ rules and regulations • Relevance: Existing policies and procedures are reasonable for the organization • Staff Awareness: Relevant staff know the policies exist • Application: An examination of documentation suggests that policies are not fully adhered to.
4	<ul style="list-style-type: none"> • Documentation: Policies and procedures are documented • Completeness: All items on the checklist are available • Compliance: All items are compliant with various donors’ rules and regulations • Relevance: All policies and procedures are reasonable for the organization • Staff Awareness: Relevant staff know the policies exist • Application: An examination of documentation suggests that policies are adhered to.

Financial Systems

Objective: The Objective of this sub-section is to assess the existence and use of key financial systems within the organization. The ability of the financial system to respond to various donors’ compliance requirements is a key focus of this subsection.

Resources: Financial Manual, Financial Monitoring Tools and Forms, Staff interviews, Payment vouchers

Financial Systems	1	2	3	4
	The organization has no documented financial management systems (i.e.	The organization has some documented financial management systems but	The organization has most or all documented financial management systems and	The organization has complete and appropriate documented financial

	budget tracking, annual budget, pipeline projections).	they are not complete and appropriate.	they are appropriate. They are either not known to staff and/or are not consistently adhered to.	management systems, updated as necessary, which are known and understood by staff and which are consistently adhered to, reviewed and updated.
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Financial Systems				
Sub-section Checklist	Yes	No	NA	Comments/Quality Notes
Financial Procedures				
Ask if the organization has a cash or accrual system before completing this checklist.				
1. Are there written financial procedures?				
1. Are there definitions of reasonable, allocable, and allowable/unallowable expenses included?				
2. Do you have a code for unallowable expenses?				
3. Are there petty cash systems and policies?				
4. Are payment vouchers prepared? Who signs the checks?				
5. Is there a double-entry book-keeping system? Are deposits and expenses accounted for?				
6. Are there separate bank accounts per funding sources? Are they reconciled monthly? Who are the signatories?				
7. Is there a chart of accounts? Is it used?				
8. Does the chart of accounts include codes to track sub-grant expenses and advances?				
9. Does the chart of accounts have codes to track advances to individuals?				
10. How are field office finances managed (where applicable)?				
11. Are there written VAT policies that include tracking and reimbursement (as applicable)?				
12. Is there a system for determining exchange rates?				
Budgeting				
13. Is there a budget monitoring system?				
14. Does the system track expenses in relation to the grant budget ceiling and obligation?				
15. Does the budget account for different funding sources and/or different projects?				
16. Are there systems to manage cash flow?				
17. Is there a budget tracking tool? Does it contain projections?				
18. Does the budget contain an indirect or fringe rate? If so, how is it calculated, determined and reported?				

Financial Controls

Objective: The Objective of this sub-section is to assess whether there are adequate internal controls in place to safeguard funds and check the accuracy and reliability of accounting data.

Resources: Financial Manual, Staff interviews, Payment Vouchers

Financial Controls	1	2	3	4
	The organization has no documented financial control procedures (i.e. standard accounting practices, segregation of duties, checks and balances, etc.)	The organization has some documented financial control procedures but they are not complete and appropriate.	The organization has most or all documented financial control procedures and they are appropriate. They are either not known to staff and/or are not consistently adhered to.	The organization has complete and appropriate documented financial control procedures, updated as necessary, which are known and understood by staff and which are consistently adhered to, reviewed and updated.

Financial Controls				
Sub-section Checklist	Yes	No	NA	Comments/Quality Notes
1. Are there written financial controls?				
2. Is there a written separation of duties among financial staff (specifically between the person preparing payment and the person authorizing it)?				
3. Is there a signatory authority/approval matrix?				
4. Is access to books, records, cash limited to a minimal number of relevant people?				
5. If the organization uses electronic banking, are there separate people who initiate and approve payment? (describe the process)				

Financial Documentation

Objective: The Objective of this sub-section is to assess whether record keeping is adequate to meet donor documentation requirements for expenditure of funds. A key focus of this subsection is to assess whether financial files are audit-ready.

Resources: Staff interviews, Financial Files

Financial Documentation	1	2	3	4
	The organization has no	The organization has some	The organization has most	The organization has

	documented financial documentation procedures (i.e. filing system, invoices/receipts purchase orders, donor-required approvals if appropriate, etc.)	documented financial documentation procedures but they are not complete and appropriate.	or all documented financial documentation procedures and they are appropriate. They are either not known to staff and/or are not consistently adhered to.	complete and appropriate documented financial documentation procedures, updated as necessary, which are known and understood by staff and which are consistently adhered to, reviewed and updated.
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Financial Documentation				
Sub-section Checklist	Yes	No	NA	Comments/Quality Notes
1. Is there a written process for managing financial documentation?				
2. Is financial documentation kept in a secure and consistent location?				
3. Is/are there a designated person(s) to manage financial files?				
4. Are receipts kept? What is the policy for keeping receipts (originals, \$ limits, language)?				
5. Are approvals kept?				
6. Are payment vouchers kept? What documentation is kept with each type of payment?				
7. For how long do you keep financial documentation? Does it meet local requirements? Per any donor requirements?				

Audits

Objective: The Objective of this sub-section is to assess whether the organization undergoes routine audits and has a system for addressing audit findings. A key focus of this subsection is whether existing audit practices meet various donors' requirements.

Resources: Financial Audits, Post-Audit Management Plans, Staff interviews

Audits	1	2	3	4
	The organization has no documented audit procedures and audits are not conducted.	The organization has some documented audit systems but either the system is not complete or audits are not completed.	The organization has complete and documented audit systems. Audits are conducted, but findings are not consistently disseminated and/or addressed.	The organization has complete and appropriate documented audit systems. Audits are conducted annually and findings are consistently disseminated and addressed.

Audits				
Sub-section Checklist	Yes	No	NA	Comments/Quality Notes
1. Is there a written process regarding regular financial audits?				
2. Is the organization regularly audited?				
3. Are there records kept of audit reports?				
4. Are audit recommendations implemented?				
5. Is there a schedule for resolving audit findings?				
6. Are audit reports shared with the board?				
7. Does the audit conform to any donor requirements?				

Financial Reporting

Objective: The Objective of this sub-section is to assess whether the organization has a routine reporting system for financial information. A key focus of this subsection is to assess whether the organization is aware of and can meet various donors' financial reporting requirements.

Resources: Financial reports to donors, Interviews with other donors

Financial Reporting	1	2	3	4
	The organization has no documented financial reporting procedures.	The organization has some documented financial reporting procedures but they are not complete and appropriate.	The organization has most or all documented financial reporting procedures and they are appropriate. They are either not known to staff and/or are not consistently adhered to.	The organization has complete and appropriate documented financial reporting procedures, updated as necessary, which are known and understood by staff and which are consistently adhered to, reviewed and updated.

Financial Reporting				
Sub-section Checklist	Yes	No	NA	Comments/Quality Notes
1. Are there written procedures to complete and submit financial reports?				
2. Are financial reports submitted on time and in accordance with the deliverable schedule?				
3. Is there a person designated to prepare financial reports?				
4. Is there a person designated to review and sign off on financial reports?				

Cost Share (Optional)

Objective: The Objective of this sub-section is to assess whether the organization has systems to track, report, and document cost share. A key focus of this subsection is the organization's ability to meet the cost share stipulated in their agreement in compliance with various donors' regulations where applicable.

Resources: Approved budget, Cost Share Plan and Procedures, Cost Share Vouchers

OPTIONAL: Cost Share (if applicable)	1	2	3	4
	The organization has no documented cost share policies.	The organization has some documented cost share procedures but they are not complete and appropriate.	The organization has most or all documented cost share procedures and they are appropriate. They are either not known to staff and/or are not consistently adhered to.	The organization has complete and appropriate documented cost share procedures, updated as necessary, which are known and understood by staff and which are consistently adhered to, reviewed and updated.

Cost Share				
Sub-section Checklist	Yes	No	NA	Comments/Quality Notes
1. Are there written procedures for recording and reporting cost share?				
2. Is there a cost share plan and is it being followed?				
3. Is cost share tracked and monitored?				
4. Is cost share reported?				
5. Is cost share documented? How?				