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1. INTRODUCTION

1.1. Vision and Mission

**Vision:** Our Micronesia: Respecting and managing our land, air and sea. Enhancing livelihoods, our quality of life and the environmental integrity of our islands and for the benefit of present and future generations.

**Mission:** To provide sustainable financing and support for biodiversity conservation, related sustainable development and environmental education.

1.2. Goals and Objectives

The goals and objectives of MCT are to:

- Support community awareness about biodiversity conservation and related environmental education programs;
- Support the conservation of priority natural biodiversity resource areas; and
- Strengthen the capacity of the biodiversity conservation community networks, conservation and development NGOs, and other appropriate organizations to improve biodiversity conservation.

1.3. Operating Principles

In the accomplishment of its goals and objectives, MCT provides funding, capacity-building and technical support to its implementing partners but does not implement projects itself. Guiding and advising implementing agencies on the ground, MCT will act as an agent of change to promote new and innovative ways of thinking, while recognizing the value of traditional methods of natural resource management and encouraging a wider use of such practices. MCT encourages Micronesians to take responsibility for the sustainable management of their ecosystems for their own survival and for the benefit of all Micronesia. Effective biodiversity conservation can occur only when the people dependant on natural resources for their survival participate and are integrated into conservation efforts. MCT prioritizes areas where there is organizational and political will, and where the local population is aware of environmental problems, is already committed to safeguarding the environment, and where projects have been conceived and designed with significant community participation.

- MCT supports programs with comprehensive development strategies to both increase public understanding of the value of the natural resources and ecological services, and achieve long term ecological and economic sustainability.
- MCT supports work in all types of terrestrial and marine ecosystems. The concept of conservation encompasses both protection and ecologically sustainable use of natural resources.
- MCT supports efforts to bring together organizations with a common interest in biodiversity conservation and sustainable ecological practice. We establish innovative partnerships between the people using the natural resources in targeted ecosystems and non-profit organizations, the private sector and government agencies, working to combine and enhance their conservation efforts.
• MCT supports the development of the technical, financial and management capabilities of organizations committed to the long-term protection and conservation of the biodiversity of their ecosystems.

• MCT is committed to the highest level of ethical behavior. We establish and carry out policies that recognize multiple obligations for accountability: to the provisions by which our donors define basic expectations, to the charitable institutions we serve, to the general public, and to appropriate national and local governmental agencies.

• MCT affirms and values human diversity in its many forms. We seek diversity to ensure that a range of perspectives, opinions and experiences is recognized and acted upon to enhance our ability to contribute to the common good in our changing society. We reflect this diversity in multiple ways, such as through our grant-making, through membership on our boards, committees, staff and advisors, and through our business practices.

• MCT promotes local financial support of its grantees.
2. **Reception and Handling of Donations and Grants**

2.1. **Introduction**

MCT is defined by its Articles of Incorporation as a Non-Profit and Charitable Institution, whose mission is to support Biodiversity Conservation and related sustainable development for the people of Micronesia by providing long term sustained funding. In order to provide for long term sustained funding, MCT must secure a variety of donations through various fundraising activities. Donations may be made to MCT in a variety of forms and to one of several Funds. When MCT raises money of any type, it will clearly state the type of fund for which it is raising the money, and this money will be used only for the specific purpose of the fund for which the money has been raised. The Board of Trustees acknowledges that doing otherwise will be an act misleading a third party. The policy and procedures set forth in this manual for the reception and handling of donations, apply to most donations given to MCT. It sets out the basic rules on how MCT will handle such donations.

2.2. **Operating Principles**

- MCT’s governing body, its Board of Trustees, has legal and fiduciary control over all contributions received.
- MCT is the steward of all its charitable funds, and is committed to investing and prudently managing these funds and maintaining accurate financial records.
- MCT honors the charitable intentions of its donors, consistent with regional needs and applicable laws and regulations.
- Gifts to MCT are irrevocable.

2.3. **Gift Acceptance Policy**

The purposes of the gift must fall within the broad charitable purpose of MCT. In addition, MCT Board and Staff must be able to ensure that gifts accepted by MCT do not place other assets at risk and that they can be easily converted into assets that fall within MCT’s investment guidelines. MCT must also ensure that it can administer the terms of the gift in accordance with the donor’s wishes. The Board of Trustees delegated the authority to accept gifts, donations and other considerations to the Executive Director by the “Delegation of Power by the MCT Board of Trustees to the Executive Director” signed on March 6, 2008. Acceptance decisions are made by the Management Unit.

2.3.1. **Refusal of Donations**

The MCT Board of Trustees reserves the right to refuse any gift it believes is not in the best interests of the foundation. Refusal is made by a majority decision of the Board itself, without other formalities.

2.3.2. **Prohibitions: MCT prohibits itself:**

- from accepting any donation whose nature and conditions are such that it could have been made directly to the final beneficiary without requiring MCT’s intervention. MCT will only handle funds specifically intended for another organization if it can add significant value by providing other services and leveraging additional resources.
- in the management of its properties, any operation that has a purely speculative character. It also prohibits itself from any direct management of any commercial or industrial Corporation or institution.

2.4. **Types of Funds**
Within MCT, various funds exist to enable donors to:

- Support MCT’s mission generally, or with a more restricted programmatic focus.
- Direct their gift through MCT’s Direct Grant-making Program or to contract with MCT to utilize its Intermediary Grant-making Program.
- Focus support on the short term (1 to 5 years) or more long term (6 to 10 years).
- Make gifts that are put to work directly and immediately, or by contributions to MCT’s Endowment, to ensure the gift is invested and only a defined portion is available for current use.

2.4.1. MCT Endowment Fund

The purpose of MCT’s Endowment Fund is to sustain MCT’s mission over time. Gifts to the Endowment Fund are invested for the long term to enable ongoing support to both MCT’s annual operations and its Direct Grant-making program. The following apply:

- The MCT Board of Trustees defines a spending policy for the Endowment – based on current financial markets and inflation rates – to determine available annual funding for these areas.
- A gift to the Endowment Fund may be restricted by a donor, to focus its support on a particular programmatic area.

2.4.2. MCT Sinking Fund

The purpose of MCT’s Sinking Fund is to support MCT’s grant-making and operations over a predetermined timeframe. Also:

- In contrast to the Endowment Fund, all Sinking Fund capital is used (for payments to cover project, administrative and other costs).
- The Fund allows gifts to be made to MCT over time, so that grants can be made, or assets can be purchased, when needed – now or in the future.
- A gift to the Sinking Fund supports MCT’s Direct Grant-making Programs. It may be restricted by a donor to limit its support to a specific programmatic focus.

2.4.3. Advised Sinking Fund

MCT often serves as an Intermediary to other foundations, donors and funders that share MCT’s mission of conservation in Micronesia and need assistance in their grant-making. In these cases, the donor makes a gift to MCT and a new Advised Sinking Fund is created. An Advised Sinking Fund (ASF) is an account created and managed in MCT’s accounting system with the deposit of an irrevocable gift for a specific re-granting purpose and whose capital is used for awarding grants in compliance with an Intermediary/Re-Granting agreement between the Board of Trustees of MCT and the donor. Advised Sinking Funds (ASF) are managed within MCT in accordance with the following rules:

- The purpose of an ASF is to be specified in advance, and by written agreement, including the allocation of grants to be awarded by this Fund and the associated responsibilities and fees. The ASF will be administered by MCT based on the written agreement.
- A new ASF must have a non-profit interest and purpose related to biodiversity conservation or related sustainable development to be created under the cover of the legal entity of MCT.
- The Donor will advise MCT of the name that (s)he wishes to see assigned to the fund and under which the attributions will be executed.
- A new ASF may have its own Special Grants Committee to make decisions regarding the disbursement of the fund for grant purposes. The composition and methods of designation of such special Committees are proposed by the Donor and agreed to by the Board of MCT.
It should comprise no fewer than 3 persons and must include at least one member representing MCT.

- **Right of veto:** The Board of MCT has the right of veto on any decision of such special ASF Grants Committee that does not respect one of the clauses of MCT's Articles of Incorporation, By-Laws, financial policy and procedures, environmental legislation in the appropriate political jurisdiction, as well as the agreement binding MCT with this ASF donor. If a Special Grants Committee does not fulfill its stated obligations, MCT will, after consultation with the Donor, by registered courier, terminate the ASF in accordance with the agreement.

- The ASF will be administered by MCT on the Donor’s instructions written into the agreement or, if the Donor is deceased, by MCT in accordance with the Board’s interpretation of donor intent.

- The payment of grants, scholarships, prizes, etc. is carried out by MCT on the Donor’s instructions set in the agreement. MCT has 15 days to exercise its right of control on these allocations. It can refuse to proceed with an allocation it considers contrary to its Articles of Incorporation, By-Laws and financial policy and procedures or the purpose of the account as defined in the ASF agreement.

- The operating expenses for the management of ASF by MCT will be billed to the ASF pursuant to the conditions provided in the agreement. In a case where a donor is deceased, the charge will be billed at the real cost.

### 2.5. Conditions and Costs Associated with Acceptance and Administration of Gifts

Unless otherwise specified in a specific/individual Grant Agreement or Award, MCT will adhere to the following in handling donations:

- Unless otherwise specified, MCT treats all undesignated gifts as donations to the Endowment Fund or to the Operating Budget. A case-by-case decision made by the Board.

- Generally, costs associated with the acceptance of a gift, such as attorney fees, accounting fees, other professional fees, as well as other costs to establish a gift will be borne by the donor.

- MCT offers a range of funds designed to be responsive to donor needs. Administrative costs associated with a relatively small fund may require special arrangements.

- MCT has the sole responsibility and authority for investment of the assets of each Fund. Decisions with respect to the retention, investment, or reinvestment of assets with respect to co-mingling of assets shall be made by the Board of Trustees.

### 2.6. Disbursement of Funds Managed as Sinking Fund

- The entirety of the Sinking Fund capital is to be disbursed for grant making purposes minus administration fees, in accordance with the agreement between the Parties.

- The revenue made from the investment of part of the Sinking Fund capital will be added exclusively to the amount of this particular Sinking Fund capital unless otherwise prescribed by the agreement between MCT and the donor(s).

- If the money is given offshore of the Federated States of Micronesia, the money will be brought in from an offshore bank account to the specific local MCT bank account for this project, through a cash flow budget determined at the same time as the budget for this particular Sinking Fund.

### 2.7. Management of Revenues from Endowment Fund
Gifts made to MCT and invested through the Endowment Fund will be managed through the MCT Investment Policy determined by the Board of Trustees, and implemented by the MCT Investment Committee with the assistance of an Investment Consultant and Advisor.

2.8. Operational Endowment Fund Revenue Disbursal
The MCT Operation Endowment revenues are reserved for use by MCT to pay for administrative and recurring operational costs. Distribution of these funds will be authorized by the Board of Trustees upon request by the Executive Director through passage of a specific resolution. Except in extraordinary circumstances, the endowment revenues will be used to cover expenses previously approved in the annual budget and only when other grant revenues are not sufficient. In any given year, no more than 30% of the administrative and management costs will be funded from the Operational Endowment.

2.9. Internal Procedure Upon the Receipt of Grant Agreements
In order to ensure the most efficient and transparent administration of any and all funds received MCT will follow the procedure below upon receipt of grants and donations:

<table>
<thead>
<tr>
<th>Position</th>
<th>Work Procedure</th>
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</table>
| **Executive Secretariat** | • Sign contract  
                          • Determine grant management arrangements and select/assign personnel  
                          • Forward grant/agreement management to appropriate Program Manager(s)  
                          • Provide copies of the agreement to program staff and to Finance Officer |
| **Finance Officer**     | • Receive copy of contract  
                          • Input budget information into Quickbooks software, including allocation of funds according categories, Restricted, Unrestricted and Temporarily Restricted and according to program activities  
                          • Record reporting requirements and due dates |
| **Involved Program Manager** | • Assign management of project/activity management to appropriate staff  
                          • Execute appropriate contracts with grantees, consultants, and vendors  
                          • Record reporting requirements and due dates |
3. **Grant-Making and the Conservation and Capacity-Building Programs**

3.1. **Categories of Grants**

MCT has two components in its grant programs, which operate to support its Conservation Program and its Capacity-Building Program: Direct Grant-making and Intermediary Grant-making.

3.1.1. **Direct Grant-Making**

Administered by the Conservation and Capacity-Building Programs, the Direct Grant-making Program contributes to the achievement of MCT’s vision through commitment to biodiversity conservation activities, and initiatives that promote a change of attitude and behavior to reduce and eventually eliminate the unsustainable use of natural resources. The Direct Grant Making Program is currently funded through a variety of advised sinking funds and will eventually be financed by sustainable revenue provided by MCT’s Endowment Fund. The Direct Grant-making Program makes several different types of grants depending upon the availability of funds:

- **Project Grants** dedicated to a specific program or initiative undertaken by an individual organization or a group of organizations working cooperatively;
- **Capacity Building Grants** that increase the capacity of organizations to perform at a higher level of effectiveness and impact;
- **Just In Time Grants** designed to provide timely, short-term funding. Just In Time Grants are awarded through a streamlined approval process by a committee consisting of the ED, a Board representative and a donor representative, in most cases. Just In Time Grants are smaller in size, ranging from $500 to $5,000; and
- **Operational Grants** that fund support of an NGO’s mission rather than specific projects or programs. Organizations can use these funds at their discretion to cover an array of expenses, from program costs and salaries to administration, office expenses, technology, training, fundraising and marketing, and more. MCT makes a grant of this type when it believes that it will make an organization stronger, and improves its ability to work more effectively over time and deliver on its mission.

With Direct Grant-making, all steps in the grant-making process are managed and implemented by MCT staff, with oversight and approval by the Board.

3.1.2. **Intermediary Grant-Making**

With Intermediary Grant-making, MCT serves as an Intermediary to other foundations and donors that share MCT’s mission of conservation in Micronesia but who need assistance in their grant-making. With our expertise and experience with conservation in Micronesia, and understanding of the local culture, politics, and landscape, we partner with these funders, assisting them through the re-granting of their funds to appropriate conservation organizations and projects in Micronesia. To accomplish this:

- MCT may serve as a simple “pass-through” intermediary, or can provide a menu of re-granting services including administrative support, access to regional contacts and networks, direct operational activities (including selecting and administering the grant, performing due diligence; transferring funds; grant monitoring and evaluation), and capacity building to grantee organizations.
- The focus, criteria and investment strategy of these grants may mirror MCT’s Direct Grant-making Program, or they may specify related issues or themes, driven by the unique interests and priorities of the various foundations and individual donors who contract with MCT for re-granting services.
With Intermediary Grant-making, MCT manages various steps in the grant-making process, depending on contractual agreements with each funder.

3.2. Grants Criteria for MCT’s Direct Grant-Making

MCT’s Trustees are committed to deploying its resources for maximum positive impact in selected areas of focus. To further this goal, MCT will support innovative and effective Conservation and Capacity-Building Projects and Activities in the following mission related areas:

- Support community awareness about biodiversity conservation and related environmental education programs.
- Support the conservation of priority natural biodiversity resource areas and which utilize ecosystem-based management practices.
- Support activities and programs which focus on improving ecosystem resilience and community-level capacity to plan for climate change adaptation.
- Strengthen the capacity of the biodiversity conservation community network, conservation and development NGOs, and other appropriate organizations to improve Biodiversity conservation.

3.3. Eligible Projects

Some examples of Conservation and Capacity-Building Projects and Activities that may be supported include:

- Projects/activities that involve education in, and/or the dissemination of information about conservation of biodiversity, the importance of biodiversity and/or techniques for conserving biodiversity.
- Projects/activities designed to help protect areas or regions of critical conservation value from inappropriate development or exploitation.
- Projects/activities that establish or encourage alternatives to ecologically and socially sustainable development.
- Projects/activities that help resource owners to integrate conservation activities into development projects.
- Projects/activities which utilize the best practices of ecosystem-based management.
- Projects/activities that provide technical assistance supporting biodiversity conservation, climate change adaptation, social and ecological resilience and sustainable livelihoods.

3.4. Habitat Focal Areas

Endangered habitat, very high and high priority biodiversity areas (as designated by various national and international documents; e.g. NBSAP, Local Actions Strategies) in:

- Coastal ecosystem (beaches, coastal strand areas, atoll forests, territorial and economic zone).
- Marine ecosystems (reefs, mangrove forests, lagoon, others).
- Terrestrial ecosystems (coastal forest, lowland forest, upland forest, mountain cloud forests).
- Watershed catchments, including freshwater stream ecosystems.
- Freshwater wetland ecosystems (swamp forests, marshes and other coastal wetlands).

3.5. Eligible Grant Recipients

- Non Governmental Organizations (NGOs), (including associations, schools, colleges and universities, religious organizations, research organizations).
- Community-based organizations (CBOs), organizations who are defined geographically and whose mission is the betterment of their total community (i.e. not just conservation focused).
• Specific biodiversity conservation projects from Government agencies (national, regional, municipal).
• Specific Projects of business enterprises and individuals: only when the proposed activities contribute to biodiversity conservation and sustainable development.

3.6. Criteria for Organizations Making Grants Applications
Organizations applying for assistance must meet the following criteria to be eligible for consideration by MCT:
• They should be registered and have been in existence for at least two years.
• If they have not yet been in existence for two years, they must be fiscally sponsored by another organization that has been registered for 2 years. MCT must be familiar with the sponsoring organization and approve its project management and monitoring capacity. The role of the Fiscal Sponsor is to receive and disburse funds for the project in a timely manner and to maintain prudent and accurate records of all transactions as required by MCT.
• A non-registered CBO should be prepared to accept to be a sponsored CBO so that they may ultimately become a registered CBO or NGO and be able to operate independently; they will be allowed to receive up to a fixed ceiling amount, which will be determined by the Board of Trustees of MCT.
• They should have project management experience, particularly in the field of conservation or natural resource management and/or in a development context where environmental concerns are incorporated into the project objectives.
• They should possess expertise in the specific fields covered by the project. (For example: training, research, NGO management, conservation, biodiversity survey, delineation of protected area boundaries, community-based planning and management, creation of eco-enterprise and cooperative).
• They should have the human resources and institutional capacity to manage and/or implement the project.
• They should be able to establish and work within budget guidelines.
• They should be able to produce activity reports and financial reports for previous financial periods.
• They should be integrated (presently working or having worked previously) in the area where the project will take place, and the project beneficiaries must have a positive opinion of the project and the organization(s) that will implement the project.
• If they are already receiving a grant from MCT, they must have demonstrated effective and responsible use of that support to be considered for second or subsequent grants. This would include timely and accurate reporting, positive project progress, and effective financial management.

3.7. Ineligible Projects
Considering the limited sources of funds available through MCT, unless a specific donation has been granted to MCT to cover one of the areas described below, projects with the following characteristics will normally be ineligible for a grant by MCT:
• Relief projects in direct response to specific incidents of natural disasters, such as typhoons, landslides, flooding, etc.
• Projects exclusively intended for conventional large scale urban management and conventional (non-nature based) infrastructure construction (i.e. stabilization of coastlines with seawalls, storm-water control, retention ponds, watershed land areas, etc.).
• Projects to decontaminate or mitigate the impacts of toxic or nuclear substances.
• Projects exclusively intended for fire control and prevention.
• Projects involving the financing of environmental impact assessment projects for industrial or a civil/governmental enterprise such as dams, waste water, sawmill etc.
• Projects linked to a legislative program or public project with a development component related to the environment (large-scale agricultural, commercial fisheries or forestry projects).
• Projects which require financing on a multi-year basis with no alternative source of financing.
• Projects presented by a Corporation exclusively for the purpose of profit, even though the project may be an environmental project.
• Projects for individual profit or benefit.
• Projects or groups requesting only capital to build or purchase equipment (vehicles, boats, etc).
• Projects where a conflict of interest has arisen (see sections 3.10 and 5.17.2).
• Activities that should be part of the regular costs of doing business, such as environmental protection equipment and treatment facilities, and conservation practices associated with development that should be borne by the shareholders of the developer.
• Activities that should rightfully be funded by the business enterprise as part of the cost of protecting the environment impacted by a proposed development.
• Projects that are rightfully the responsibility of government for funding, such as those required of industrial and infrastructure monitoring and regulatory activities under State and Federal Laws.

3.8. Grant Cycle Overview
Below is the typical Grants Cycle. This process applies to all grants made through MCT’s Direct Grant-making and may be varied according to Donor preference or portions of the process applied through Intermediary Grant-making agreements. Steps in the grant cycle are as follows:
• The Board will determine the amount of funding available each year for each cycle of grants, and set general parameters for the grant portfolio.
• The Conservation Program Manager or Capacity-Building Program Manager will prepare an announcement of funding availability and timeline (“Call for Proposals”) and make it available to potential grantees and other stakeholders.
• Generally, the first step in the application is a concept paper. All preliminary concept papers must be addressed to the CPM who registers them in the Grants Book, and classifies them by the specific Call for Proposal they are responding to.
• MCT may provide, subject to funding availability, assistance with the development of concept papers, in the form of workshops and the services of independent consultants. Independent consultants may also be made available for the development and submission of full proposals, as well.
• All concept papers (and subsequent full proposals) must be completed in the format provided and submitted by the date specified at the time of the Call for Proposals in order to be eligible for review and consideration.
• All applicants receive acknowledgement of the reception of their concept papers by mail, fax or electronic mail.
• The Management Unit screens concept papers. Applicants meeting established grant criteria are invited to submit full proposals; concepts not meeting criteria are declined in writing.
• The appropriate Program Manager (PM) and DED will conduct the MCT due diligence process described in 3.14 below.
• Following receipt of invited full proposals, all applications are updated in the Grants Book and applicants receive acknowledgement of the reception of their proposal by mail, fax or electronic mail.

• The Regional Grants Technical Committee, which includes a Board representative, reviews completed final proposals as a package each grant cycle, in consultation with technical experts or stakeholder group representatives as needed (an Ad-Hoc Scientific Committee may be created). They submit a recommendation to the full Board on proposals to be funded.

• The Board approves projects to be funded and acts on each proposal. This action may result in total or partial acceptance of the proposal, in complete declination, or in a request to the proposing organization to re-submit with modifications.

• Following Board action, staff issues award or declination letters. All applicants should receive information of their project’s status regardless of the subsequent steps, within two weeks of the decision, in areas where normal communications exist.

• The PM finalizes negotiations with the successful applicants; the Management Unit (The ED, DED and FO) signs legally binding Grant Agreements, and makes disbursements.

• The PM oversees Grant implementation: project monitoring, grant reporting and final evaluations of projects are carried out in accordance with the terms of Grant Agreements and as described in section 3.14 of this document.

• The PM will report quarterly to the Regional Grants Technical Committee the list of every proposal that MCT received during the preceding quarter and the status of each proposal.

• Management will collect and disseminate best practices and lessons learned through the implementation, monitoring, and evaluation processes.

• The Management Unit will compile data annually to identify what’s working, and what isn’t, as they and their grantees seek to implement their strategies for change, and present the results to the Board of Trustees annually.

MCT Management is committed to applying new learning as they grow and evolve — modifying grant-making strategies in response to results from grantees on the ground.

3.9. MCT Accountability and Due Diligence

MCT requires all grants and funding assistance recipients to provide certain information to prove their ability to meet the goals and objectives in their proposed grant projects with integrity and financial responsibility. This information provides MCT with evidence of qualification, current fiscal status, program consistency, and capacity required to administer a grant successfully. It also provides evidence that grantees comply with applicable laws and regulations, and can deliver the benefits they claim to provide.

<table>
<thead>
<tr>
<th>Materials requested include:</th>
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<tbody>
<tr>
<td><strong>For all MCT grants</strong></td>
</tr>
<tr>
<td>• Copy of the organization’s Charter, Articles of Incorporation and By-Laws.</td>
</tr>
<tr>
<td>• Detailed Budget of the project.</td>
</tr>
<tr>
<td>• Workplan outlining how the project will be executed.</td>
</tr>
<tr>
<td>• Demonstration of a bank account in the organization’s name and proof that they require at least two authorized signatures for cash withdrawals.</td>
</tr>
<tr>
<td>• Demonstration of an appropriate accounting system.</td>
</tr>
<tr>
<td>• Copy of the organization’s Financial Audit, or Profit and Loss Statement and Balance Sheet for the last 2 years.</td>
</tr>
</tbody>
</table>
Grants over $10,000

All of the items above as well as:
- Resume of the Project Coordinator and other significant staff of the project.
- History of prior grants from other funders.
- Annual Report or documents describing the organization’s activities and accomplishments of the last two years.

For grantees whose annual operating budget exceeds $350,000

- The organization must provide a copy of an external audit of its financial records.
- Alternatively, the FO may grant an exception determined on a case-by-case basis, based on an in depth assessment of the fiscal and reporting capacity of the grantee organization.

Once the grant is awarded, a written grant agreement with specific provisions setting forth mutual responsibilities is signed by MCT and the grantee. Throughout the life of the project, periodic written reports from the grantee to MCT are required. Failure to adhere to the reporting schedule and requirements may adversely affect consideration for future grants and may result in penalties as outlined in the contract agreement.

3.10. Conflict of Interest

At the time of submission, all project applicants must disclose any familial, organizational, or financial relationship with any member of MCT’s Board, Staff or Regional Grants Technical Committee. Similarly, any MCT director, staff, or advisor having, or potentially having, such a relationship, will excuse him/herself from the grant applications evaluation process. A conflict of interest occurs when anyone in an advisory or decision-making role (MCT Board member, staff, consultant or member of the Regional Grants Technical Committee, or a member of the public making recommendations in a Stakeholder forum) meets any of the following conditions:

- The person is directly involved in the project, contract, agreement, or conflict to be dealt with, or the person has a direct interest in the matter under consideration.
- The person’s spouse, parent, child, brother, sister, cousin, or the spouse of any of those relatives, is involved in the project, activity, or decision.
- There is a blood, marriage or clan relationship with any person involved in the project, activity, resolution or matter under consideration.
- There is clear friendship or hostility with parties involved in the project, activity, resolution or matter under consideration.
- There is or has been a professional or legal relationship with a person involved in the project, activity, resolution or matter under consideration.
- There is also a conflict of interest when a proposal comes from a Substantial Contributor. Substantial contributors are all individuals, organizations or corporations who have made a gift to MCT of more than 5,000 US Dollars within the past three years.
- Failure to disclose a conflict of interest by any party may result in the disqualification of any concept paper or proposal and/or the nullification of any subsequent or related contracts.

3.11. Application Review and Ranking Process

Grant proposals are evaluated according to established criteria and a corresponding scoring system. The Management Unit and the Regional Grants Technical Committee (and the Scientific Committee, acting as a Grants sub-committee for specific disciplines when required) review project selection criteria and the scoring system, and evaluate each proposal. Scoring criteria includes:
- Consistency with the mission and goals of MCT.
• Involvement of the community in the conceiving, designing and planning of the project.
• Proactive targeting of high priority conservation areas where resources are threatened from unsustainable development.
• Coherence (the goals, strategies and interventions selected are in agreement).
• Clarity of objectives; quantifiable expected outcomes and results; and probability of success.
• Inclusion of strategies to ensure that activities and project outcomes are self-sustaining after MCT support ends.
• Community commitment, and active involvement in generating matching community contributions to the project.
• Project leadership and management.
• Monitoring and evaluation process is included in the proposal to measure the impact of the project.
• Capacity of applicants to implement the activity.
• Technical soundness and feasibility.
• Social soundness and feasibility.
• Cost estimates which are reasonable and within accepted levels for the type of project.
• Availability of other funds for the project.

3.12. Fund Disbursement
The disbursement terms for each grant will be spelled out in the grant agreement and agreed to by signature of both parties. In all cases, the following will apply:
• In no case may a one-year or a multi-year grant be disbursed in a lump sum.
• Disbursements for projects longer than three months awarded to a first-time grantee are made on a quarterly basis and are subject to ongoing financial and technical reports. The system of disbursement for these projects will involve payment of a fixed amount, agreed to in the beginning; it will be replenished every three months according to expenses, proved by receipts or vouchers made during that period, and appropriate progress and reporting.
• Disbursements for projects longer than three months awarded to grantees with a successful record of implementation of MCT-funded projects may report semi-annually or according to the achievement of agreed-upon milestones. The payment and reporting schedules will be negotiated accordingly. The CPM, CBPM, FO and Executive Secretariat will make this determination on a case-by-case basis.

3.13. Project and Activity Contracts
All Project and Activity Contracts and Agreements will specify the following:
• The funding source, unless in cases where the donor wishes to remain anonymous.
• Project/Activity duration including start and end dates
• Any specific requirements from the donor, including acknowledgements and prohibitions
• Workplans for project and/or Terms of Reference for Consultants and Technical Assistance
• Payment schedule and requirements including milestones, financial report requirements, and agreed to outcomes/products
• The following clauses:
  o “MCT permits a 10% overhead charge in addition to grantee project costs for diligent administration of the grant including all reporting requirements, accurate financial reporting, and submission of receipts in accordance with the details of this contract. MCT reserves the right to permanently withhold $10/day for late reports on grants less than
$25,000 and $25/day on grants over $25,000. This withholding over overhead funds will be drawn from the overhead line item of the subsequent payment and deposited into the MCT Operational Endowment towards the supplementary project administration, monitoring and evaluation required to continue managing the grant over and beyond this agreement.”

- “All reports, technical and financial, and other outputs and products are due no later than six(6) months after the closing date of the project, which will be reflected in the contract or agreement on no cost extensions between MCT and the grantee/consultant. Failure to provide the required documents and products will result in the cancellation and invalidation of the contract and MCT is no longer liable for payment on the undocumented expenses.”


All MCT-funded grants are required to have a monitoring and evaluation plan to test the success of the proposed projects. This should:

- Include activities for defining performance indicators, and collecting and monitoring data to measure baseline conditions, and later, to measure project outcomes.
- Designate who will be responsible for this monitoring activity, on what timeframe, and how the data will be collected, stored, analyzed and disseminated, and ultimately integrated into future activities. This is especially important in projects focused on conservation of biological diversity.

3.14.2. MCT Grants Project Monitoring

MCT may provide technical assistance to grant recipients to strengthen their capacity to effectively monitor their work and evaluate their project outcomes. Procedures for this include:

- As monitoring data becomes available through quarterly reports, MCT will make periodic evaluations of project performance relative to stated objectives.
- MCT will conduct periodic site visits during the grant period, including interviewing of grantees and their community partners, verification of capital inventory, monitoring of activities and, in some cases, identification of additional needed supports.
- All grantees are expected to submit quarterly and final reports on their projects that include status of goals and objectives, successes and failures, and lessons learned.

MCT makes best practices and lessons learned available to all grantees and other stakeholders on an annual basis.

3.14.3. MCT Program Impact Monitoring and Self-Assessments

MCT will conduct periodic external/independent reviews of the conservation impact of its re-granting and capacity-building programs on the ground as well as periodic independent assessments of its internal program management. These independent reviews will be conducted every five years.
MCT GRANT REVIEW FLOW CHART

CALL FOR PROPOSALS
Submission of Concept Papers to Secretariat
Registration of C.P.s in Grants Book

MANAGEMENT UNIT SCREENS CONCEPT PAPERS
Invocation to Submit Full Proposal
OR Declination Letter sent

SUBMISSION OF FULL PROPOSALS
All applicants receive acknowledgement of reception of proposal

DUE DILIGENCE SCREENING conducted by Staff

GRANTS COMMITTEE REVIEWS FULL PROPOSALS
Selects Applications to Recommend to Board

BOARD SELECTS PROJECTS TO FUND
Staff finalizes terms with selected grantees
OR Declination letter sent

Grantee signs Grant Agreement & receives First Payment

Grantee submits Project & Financial Reports to secure Second & subsequent Payments

Project is completed & Final Reports are Submitted
4. Finance and Administration

MCT’s financial management system is comprised of accounting records and a series of processes and procedures assigned to staff, Board, and outside professionals. The goals of MCT’s system are to ensure that financial data and economic transactions are properly entered into the accounting records and that financial reports necessary for management are prepared accurately and in a timely fashion. MCT’s financial management policies and procedures also provide assurance that assets are used solely for the benefit of the organization, and not for personal or other gain, and that donated funds are used for the purposes which donors intended, as specified in their grant agreements. Internal controls help ensure operational efficiency and prevent the deliberate or misguided use of funds for unauthorized purposes. Through this series of procedures, MCT expects that financial information is reliable, so that managers and the board can depend on accurate information to make programmatic and other decisions; that assets and records of the organization are not stolen, misused, or accidentally destroyed; and that government regulations are met.

4.1. Finance Officer
The Finance Officer (FO) is responsible, under the authority of the Executive Secretariat, for managing MCT’s financial records, and performing all accounting duties with the appropriate internal controls. The Finance Officer follows the policies and procedures for handling financial transactions in accordance with Generally Accepted Accounting Practices as outlined in this Operations Manual.

4.2. Fiscal Year
The MCT Fiscal Year for all business transactions is from January 1 through December 31 of a given calendar year.

4.3. Accrual Basis Accounting
All MCT accounting is done on an accrual basis. Accrual basis allows MCT to track receivables and payables and to match revenues to the expenses incurred in earning them, giving more meaningful financial reports.

4.4. Annual Budget Planning
The Management Unit prepares the upcoming annual budget with consultation from the Treasurer and other Board Members as needed. The budget, based on the annual workplan, is presented to the Board for vote and must be approved by December 15 of the preceding fiscal year.

4.5. Signatures of documents, checks and bank accounts
The Executive Director (ED), the Deputy Executive Director (DED) and at least one designated local board member are authorized to sign checks on behalf of MCT. For all checks, two signatures are required. For checks drawn in the amount of $5000 or more, one of the two signatures must be that of a member of the Board of Trustees.

4.6. Chart of Accounts and Accounting Software
MCT’s chart of accounts is a list of each account that the accounting system tracks. It is designed to enable MCT to capture the financial information that the Executive Secretariat and the Board need to keep track of all financial data and to make informed financial decisions.
- MCT uses Quickbooks (QB) accounting software. These systems allow for the tracking of restricted donations and grants, and for the functional classification of expenses and income.
• MCT breaks expenses down into line items (such as salaries or supplies) and into functional categories (such as programs, administration, and fundraising) allowing them to see how well the separate activities are supported.

• Access to this software will be limited to persons authorized by the Board and the Executive Director, namely the Deputy Executive Director and the Finance Officer. Only these people may enter or adjust this data.

• The Administrative Assistant will have limited access to QB so that she is able to provide reports as requested by other staff.

4.7. Reserve Fund

MCT aspires to have a reserve fund that would cover at least 3 months fixed operating expenses.

4.8. Annual Report

MCT produces an Annual Report each year. This report will be completed within 6 months of the end of the fiscal year to openly communicate financial and program information to constituents and others who request such information.

4.9. Processing Cash Receipts

MCT’s cash receipt system is designed to ensure that all money intended for the organization is properly received, promptly deposited, accurately recorded, reconciled, and kept under adequate security

• When a check payment is received, the Administrative Assistant (AA) makes a copy of the check and gives it to the Finance Officer (FO) to review and to assign to its appropriate account. FO then gives the copy of the check to the Deputy Executive Director to confirm or edit accounting line.

• AA creates a deposit slip for the check(s), makes the deposit and receives a receipt from the bank. The receipt is attached to the deposit slip, and copies of each are attached to the copy of the checks and filed. FO records each check into Quick Books in the approved account line within the appropriate time frame.

• When MCT receives payment through a wire transfer, the amount of the deposit, and the name of the organization or individual making it, will appear on MCT’s electronic and hard copy bank statements. All wire transfers will be recorded in QB by the FO on the date they are received in MCT’s bank account.

• Most funders deduct the cost of making the wire transfer from the grant amount. Both the full amount of the grant, and the wire transfer cost charged to MCT, will be accounted for in QB by the FO.

• Cash contributions will be acknowledged by numbered receipts and signed by two members of the management team.

4.10. Invoicing

• Staff members may make requests to produce invoices for funders of MCT programs by completing the designated form for this, and submitting it to the AA who collects them and gives them to the Executive Director (ED) or the Deputy Executive Director (DED) once a week. The ED or DED reviews them, approves them and passes them on to the FO, who creates the invoice(s).

• All invoices are numbered and dated the date that they are originally created, even when it is a second or third sending of that invoice.
Once invoices are created, FO gives them to ED or DED to review and approve. Then ED/DED gives them to AA, who makes a copy of each invoice, and mails out the original(s). AA organizes the copies by invoice number in a special binder for this purpose.

4.10.1. Receiving Payments on Invoices

As AA receives payments, she checks the Invoice Binder to match each payment with an invoice and writes the invoice number on the copy of the check for FO.

4.10.2. Re-Invoicing

FO will re-invoice all open invoices that are 30 days or older, the first week of each month. She will give these to ED/DED for review, and then they will go to AA. She will make copies of all of the new invoices and mail the originals. For older invoices she will put that day’s date in blue ink on the invoice copy in the Invoice Binder, and mail the new original. Once a third invoice is produced, phone follow up may take place, by the appropriate person, to attempt to get payment.

4.10.3. Accounts Receivable Report

Each time FO creates invoices, she will print an A/R Summary for AA to put in the Invoice Binder. When a payment comes in, she can check that report to see if there is an invoice. Some payments are received without a preceding invoice. If the payment has a corresponding invoice, she will put the invoice number on the copy of the check, and process as noted before.

4.10.4. Write-Offs

If invoices haven’t been paid for six months and the probability of payment is low, ED may decide to write it off. He will let FO know, to process that decision in Quick Books. FO keeps a file of past write offs for the year for auditing purposes.

4.11. Grants, Gifts and Government Funding

MCT handles donations in a way that ensures that all grants, gifts, and government funds are received and properly recorded, and that compliance with the terms of any related restrictions is adequately monitored.

- When MCT receives this funding, the Conservation Program Manager is charged with the responsibility of understanding and monitoring specific restrictions, regulations and compliance factors. These are communicated to the FO to ensure that the funding is properly accounted for and that appropriate reporting can be provided when needed.
- MCT follows rules for accounting for contributions in nonprofits, including the recording of contributions in one of the following categories: unrestricted, temporarily restricted, or permanently restricted.
- Donations to MCT are handled through the cash receipt process outlined above, and accounted for to reflect the appropriate grant timeframe and programmatic focus, and to enable MCT to provide the specific financial reporting requested by the donors by their deadlines, as specified in their grant agreement.

4.12. Non-Cash Receipts

Additional internal controls are required to ensure proper recording of donated materials and services, pledge, in kind contributions and other revenues. These include in-kind support from other organizations (e.g. free use of TNC conference room and pro bono work from a technical advisor). These controls will be developed by the end of 2010 and be appended to this Operations Manual.

4.13. Disbursements
MCT’s disbursement system is designed to ensure that cash is disbursed only upon proper authorization of management, for valid business purposes, and that all disbursements are properly recorded.

4.13.1. Accounts Payable

- When invoices from MCT vendors come in the mail, AA collects them in a Request Payment File. As she does so, she stamps them with a stamp that includes Account Line, Date of Approval, and Approved By.
- Alternatively, staff members may request payments for expenses. They must complete the appropriate form and submit it with supporting documents to the AA who adds it to the Request Payment File above.
- At the end of each week, AA will give this file to the ED or the DED to designate the account line, and approve the payment. Then these are turned over to FO to process through Quickbooks, and pay. FO certifies that there is adequate funding in checking account to cover these payments. Then the checks are returned to the ED and DED for signing.
- FO produces a list of checks in check number order from QuickBooks so that she knows the total number of checks and the total amount being written; ED or DED double checks this list to ensure subsequent bank transfer (from savings account to checking account to cover the checks – see below) is for the appropriate amount.
- The AA delivers payments to vendors within Pohnpei and obtains receipt of payment with a signature from each vendor or vendor representative. If the vendor is outside of Pohnpei, and uses MCT’s bank (the Bank of Guam), MCT will do a direct deposit into the vendor’s account. If not, MCT will prefer to pay by check. If the vendor wants MCT to make a wire transfer, the associated cost will be deducted from the amount due to the vendor.
- With either a direct deposit or wire transfer, MCT will get a receipt from the Bank, which will be filed with the original invoice.

4.13.2. Transfers Between MCT Accounts

MCT keeps as much money as possible in its savings account where interest is generated. Because payments are made through its checking account, money is transferred each week, by the FO, from savings to checking to cover all check disbursements. The transfer amount each week is for the total amount of checks written. The FO makes the transfer as follows:

- FO prepares checks and other payments (wire transfers, etc.) per the procedures described in this section (4.13).
- FO prepares the list of payments, including check numbers, payee and purpose of the payment, attaches the relevant supporting documents, savings withdrawal slip and two copies of the checking account deposit.
- DED or ED verifies the calculations and the FO gathers the two required signatures on the withdrawal slip.
- AA takes the endorsed documents to the bank to make the transfer and returns the duplicate checking deposit slip stamped by the bank teller.

4.13.3. Grant Expenses

Revenue received by MCT from donors is contingent upon performance of work, which involves a variety of expenses. Accurate accounting of expenses related to each grant is critical. Staff will carefully specify the nature of each expense for each grant as they make requests for payment. FO will account for each expense as appropriate in QB.

4.13.4. Petty Cash
MCT’s petty cash procedures ensure that petty cash funds are disbursed only for proper purposes, are adequately safeguarded, and properly recorded.

- MCT Petty Cash is typically for expenses such as water, postage, and meeting refreshments as well as others.
- The FO drafts a check for $50 payable to AA and AA and cashes it. As employees request money for incidentals, AA logs costs and collects receipts.
- When approximately 80% is spent, FO replenishes the Petty Cash Fund. Petty Cash is accounted for in QuickBooks as its own account.

4.13.5. Payroll
Salary for all regular and part-time employees will be paid bi-weekly in checks. MCT follows procedures to ensure that payroll disbursements are made only upon proper authorization to bona fide employees, are properly recorded, and that related legal requirements (such as payroll tax deposits) are complied with.

- MCT gives each employee a 2 week Time Sheet. Each staff completes their own time sheet and returns it to FO. Time sheets are approved by each employee’s direct supervisor or by the DED, but in her absence, by the ED. The ED signs the DED’s Time Sheet. The DED signs the ED’s Time Sheet.
- FO enters time sheet data into QB, which does the payroll computations; checks get produced, signed and approved per disbursement procedures described above.
- Per FSM National Law, FO submits payroll reports to the national government every quarter: she submits social security reports 10 days after the end of the quarter, and income tax reports 30 days after the end of the quarter. Failure to meet deadlines results in a financial penalty to MCT.

4.13.6. Salary Matrix
A general salary matrix shall be maintained by MCT, which shall be updated annually or as may be necessary, in order to maintain the reasonable buying power of employee’s income consistent with the cost of living in Pohnpei, as may be recognized or published by the FSM Government. The salary matrix will be used to determine the beginning base salary for new MCT employees and any adjustment in salary thereafter will be based on the performance evaluation procedure described below. Promotions and/or pay level changes are not automatically provided to MCT’s employees on annual basis.

4.13.7. Advances on Salary and Loan Policy
MCT employees may request an advance on salary with the following condition: The amount of salary advance requested will not exceed the number of hours worked and/or salary earned as of the date of the request. MCT will not give any loan to its employees nor guarantee any loans taken out by its employees. The only case where a loan is allowed is that involving a new hire who requires assistance with purchasing an airline ticket in order to relocate to his or her duty station. In this case, MCT may purchase the ticket and deduct its cost from the employee’s paycheck in mutually agreed-upon increments.

4.13.8. Sick and Vacation Time
- Every 2 weeks, when completed Time Sheets are collected, the AA will record vacation days, sick days and personal days used in that pay period. The FO will review and approve the AA’s work, and will oversee the Excel Spread Sheet developed for this purpose.
- Each pay period, employees will receive an update on their status related to how many vacation, sick and personal days they have accrued.

4.13.9. Overtime and Compensatory Time
MCT staff members are not entitled to overtime pay. However, the DED in consultation with the Executive Director, on request by the employee, may grant a recovery compensatory period, or time off, for hours worked in excess of 80 hours in any given pay period. The approximate number of hours and outcomes of the excess time will be agreed upon ahead of time and the hours accrued shall be used within one month of their accrual. Time spent on travel for MCT business, in training or workshops, regardless of their duration, do not qualify for overtime or extra time.

4.13.10. **Payment of Taxes**

All employees must pay all required taxes based on a pay as you earn (PAYE) system, whereby the employer deducts the appropriate tax directly from the gross income of the employee and pays it to the appropriate government department. All tax deductions are shown on the employee's pay slip.

4.13.11. **Travel**

If an employee has work related travel plans, MCT will make a travel advance (TA) payment. All travel must be in accordance with MCT’s travel policies and procedures. All travel should be arranged and conducted with the aim to achieve the travel objectives at the least cost. TAs are based on thorough documentations outlined in the MCT Employee Manual.

- **Non-staff Travel**

Consultants and other persons that may be authorized to travel on MCT expenses are subject to the same policies and procedures set out above, or in the future, for MCT staff and Board members.

- **Submission of Expenses and Clearance of Travel Advances**

The traveler must submit a Statement of Travel Expenses within 5 working days of completion of travel. The balance of any unused travel advance must be paid in cash or check upon submission of the statement. If expenses have exceeded the advanced amount and such additional expenditure has been authorized, the statement will be processed as an invoice and remittance made to the traveler.

4.13.12. **Fixed Assets and Property Management**

All items of a purchase value of $500 or more are considered fixed assets. MCT has a set of policies and procedures to ensure that fixed assets are acquired and disposed of only upon proper authorization, are properly recorded, and are adequately safeguarded and maintained.

4.13.12.1. MCT maintains a record of all fixed assets, including specifications about the product, when and from where they were purchased, and their rate of depreciation. This includes furniture, office equipment, vehicles, etc. Capital needs are reviewed annually and priorities are established and budgeted. FO oversees budget of maintenance and purchase of fixed assets but may ask other staff to shop around to find a specific product within an established budget.

4.13.12.2. Depreciation and disposal of fixed assets are recorded in Quick Books each year to accurately record and reflect their value to the organization.

4.13.12.3. The policy and procedures for the disposal of fixed assets are as follows:

**Principle:** Micronesia Conservation Trust is accountable for the disposal of any fixed assets purchased with regional, state or federal dollars, and grant funds when they no longer meet MCT service requirements.
Policy: Fixed assets owned by MCT but purchased with grant funds will be disposed of in accordance with the requirements of the grantor. If there are no restrictions, they will be disposed of as below.

4.13.12.3.1. The Finance Officer will ascertain the current book value of the item(s) using the straight line method of calculating depreciation. The Executive Secretariat and Finance Officer will determine the market value of the item.

<table>
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<tr>
<th>Estimated Value</th>
<th>Market Procedure</th>
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| Less than $249.99 | • A Fixed Asset Disposal Form must be completed and sent for the Director’s approval.  
• Fixed assets owned by MCT that are still in fair or good working condition may be offered to MCT employees at present market value or any reasonable offer.  
• The Executive Director may also authorize the donation of serviceable items no longer in use to local partner NGOs or other organizations upon request. |
| Between $250 and $999.00 | • A Fixed Asset Disposal Form must be completed and sent for the Director’s approval.  
• Fixed assets owned by MCT that are still in fair or good working condition shall be offered to the general public at present market value or any reasonable offer.  
• The Deputy Executive Director will determine the most appropriate venue to publicize the sale of available equipment, including a time frame for the negotiation process.  
• MCT employees are eligible to participate in this process. |
| Exceeding $1000.00 | • A Fixed Asset Disposal Form must be completed and sent for the Director’s approval. The following procedures should be followed after the Director’s approval.  
• Fixed assets owned by MCT that are in fair or working condition will be offered for public bidding. The Deputy Executive Director will determine the most appropriate venue to publicize the sale of available equipment, including a time frame for the bidding process.  
• Offers from potential purchasers will be obtained through a sealed-bid process.  
• The item will be sold to the purchaser with the highest offer. If the higher bidder fails to pay within the required time frame, the item will be offered to the next highest bidder.  
• MCT employees may bid on these items. |

4.13.12.4. The Finance Officer will facilitate the processing of the Fixed Asset Disposal Form and complete the necessary changes to the MCT inventory.

4.13.12.5. If the item cannot be resold, under the above processes, the Executive Director may donate the item. If there is no expressed interest for the item, it may be disposed of with normal trash.

4.13.12.6. Proceeds from the sale of the items (if any) will be credited to MCT’s unrestricted admin funds

4.13.13. **Stale Checks**

Checks issued by MCT become stale-dated after six months but remain as a reconciling item on the bank reconciliation unless they are cancelled or re-issued. If a check is five months old and
has not yet been cashed, the Finance Officer will contact the payee to issue a reminder to cash the check before it becomes stale. The Finance Officer will make every reasonable effort to ensure that the original check is cashed before becoming stale. If this proves impossible, the Finance Officer will work with the payee to either re-issue the payment or reach some other resolution. Expenses to be paid by checks that become stale will be re-expensed. Every effort will be made to have all checks cleared prior to the commencement of the current year’s financial audit. Checks that remain outstanding for up to twelve months are included as a reconciling item on the bank reconciliation. All MCT bank checks shall have the six month limit clearly marked beneath the signature line.

MCT owns a vehicle, which is available to staff for MCT-related travel. The following apply:

- When not in use, the MCT vehicle is parked at the office.
- The AA is responsible for planning regular maintenance, including scheduling appointments for tune-ups and tire checks every 6 months.
- Each driver checks fuel level; if there is not adequate fuel, the employee must obtain the designated “Letter requesting a fill up.” This letter must be signed by ED or DED and taken to Ace Service Station where MCT has an account. Staff member should bring back the receipt and give it to AA to put in Request Payment File.
- Before taking the car, staff members write an entry in the Vehicle Destination Log, maintained by the AA, so that management knows where the car is and for how long at all times.

4.15. Office Cleaning
MCT hires a cleaning person to clean the office once per week. Cleaning supplies are purchased by AA after she submits a request for payment.

4.16. Insurances
MCT buys building insurance to cover fire and theft, travel insurance, and car insurance to protect employees when they are driving the MCT vehicle. MCT conducts a regular risk management review to ensure appropriate insurances are in place to protect the organizations, its employees and its assets.

4.17. Records Management
MCT organizes and maintains both hard copy and computerized records of all significant activities and transaction. Financial records are kept for at least three years, per FSM law, and longer as needed to fulfill grant agreements with donors. Computerized records are maintained by individual employees and shared on the network server. These records are backed up daily to the central server. These records are further backed up to external drives and uploaded weekly to the internet “cloud.”

4.18. Maintaining the Integrity of the Accounting System
The key tasks for maintaining the integrity of an accounting system include the following:

4.18.1. Segregation of Duties
No financial transaction is handled by only one person from beginning to end. This principle is central to MCT’s internal controls system.

4.18.2. Bank Reconciliations
MCT receives monthly bank statements for its checking account and savings accounts. The Office Manager prepares the Bank reconciliation through QB on a monthly basis and passes it on
to the Finance Officer for verification of its accuracy. Once this is completed, the FO shares it with the DED, ED and Board Treasurer. The Board Treasurer reviews it and signs off on it.

### 4.18.3. Financial Statements

MCT Finance Officer produces and provides quarterly financial statements to the Executive Secretariat and the Board of Trustees. These include the:
- Balance Sheet
- Income and Expense Statement (consolidated) comparing budget to actual information,
- Brief narrative report including highlights, important grants received deviations from budget, etc.
- Fundraising Reports; actual vs. projections for donations; status report on all foundation proposals

### 4.18.4. External Audits

Each year MCT hires an accounting firm to conduct its audit by March 31 of the next year. The auditing firm has full access to all MCT financial records. Their report includes audited financial statements for the entire organization, including Statement of Position, Statement of Activities, Statement of Cash Flows, and Statement of Functional Expenses. In addition the auditor provides a Management letter with recommendations, as needed to MCT Executive Secretariat and Board related to improving the accounting system, internal controls, and financial planning. Audit adjustments and recommendations will be implemented in a timely manner.

### 4.19. Receiving Mail

- The AA goes to the post office several times per week to pick up all MCT mail. Upon returning to the office, she will stamp each opened piece with a “received” stamp that includes the date. She will sort it and distribute it to staff as appropriate.
- Most MCT mail arrives electronically. Each staff person is responsible for saving and filing important emails and attachments in 1) Outlook, which includes the date the email was sent, and 2) on the hard drive.
- As grant proposals are received, they are also logged into the MCT Grants Book.

### 4.20. Procurement Policy

MCT’s procurement policies are taken into consideration when procurement is conducted. The following procedures apply to the procurement of goods and services except those that are governed by the grant-making process and the selection of independent consultants. These are covered by policies and procedures in sections 3.8 and 4.22 of this manual. MCT conducts procurement in a competitive way, taking into consideration any circumstances that preclude or reduce competition among vendors.

#### 4.20.1. Procurement process ethics

MCT conducts the procurement process on an arms–length basis. This means that any employee who has any financial interest with the prospective vendor should not get involved in choosing the vendor. Employees or management may not accept any gifts or items of financial value from vendors or contract related parties.

#### 4.20.2. Vendors record

MCT shall maintain a list of vendors providing needed items including vendor’s name, address, telephone and fax numbers, and name of contract person. This list will facilitate procurement procedures. The above mentioned list also includes the vendor's name, available goods, prices, goods description, and his/her relation with the organization, if any.

#### 4.20.3. Internal Procurement committee
An internal procurement committee is formed to supervise and approve procurement procedures taking into consideration prices, quantity, quality, and types of goods and finally chooses the best price. Internal procurement committee comprises:

- Deputy Executive Director
- Executive Director
- Board of Trustees Treasurer
- Project manager or Program Manager if procurement is related to a specific project and/or technical in nature.
- The Internal Procurement committee may include an external expert (i.e. engineer, computers expert etc) to participate in evaluating bids and vendors if technical in nature.

4.20.4. **Procurement authorization**

Procurement authorization in the organization is as follows:

<table>
<thead>
<tr>
<th>Procurement Amount</th>
<th>Required Authorization</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to $500</td>
<td>Deputy Director (or designee)</td>
</tr>
<tr>
<td>$501 to $3,000</td>
<td>Executive Director (or designee)</td>
</tr>
<tr>
<td>$3,001 to $10,000</td>
<td>Internal Procurement Committee</td>
</tr>
<tr>
<td>Above $10,001</td>
<td>Board of Trustees</td>
</tr>
</tbody>
</table>

4.20.5. **Purchase request policies**

Management is responsible to obtain price offers or issue invitations for bids. Price offers are obtained based on the expected procurement value as follows:

<table>
<thead>
<tr>
<th>Procurement Amount</th>
<th>Required Documentation/Process</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to $500</td>
<td>Shopping and bargaining</td>
</tr>
<tr>
<td>$501 to $3,000</td>
<td>3 written offers from vendors offering the required items</td>
</tr>
<tr>
<td>$3,001 and above</td>
<td>Invitation for a Bid</td>
</tr>
<tr>
<td>Sub-grants and large awards</td>
<td>Grant-making cycle and proposal review</td>
</tr>
</tbody>
</table>

- Prices offers and requests for bids should include sufficient information pertaining to procurement procedures, prices, place, time, and payment conditions as follows:
  - Detailed specifications of items needed.
  - Required quantity.
  - Place and time of placing the order.
  - Payment method.
  - Contract conditions.
  - Authorized signatories.

- The Finance Officer will compare price offers and bids with the approved budget to ensure that funds are available for the purchase/procurement.

- When required, price offers and bids are opened and summarized in front of the procurement committee.

- Prices analysis should be documented to compare offers prices with market prices. This analysis should be considered in selecting the vendor after taking financial and technical aspects into consideration.

- MCT is not required to select the lowest price but should justify the reasons for selecting the more expensive option.
• Pre-numbered purchase orders are prepared for procuring goods or services above $500. Purchase orders include the vendor's name, prices, quality and quantity.
• Procurement amounts may not be divided in order to circumvent procedural requirements.
• The Finance Officer, Office Manager, Program Managers or designee(s) may shop for procuring items and the shopping process shall be documented for control purposes.
• Procurement committee that analyzes price offers should include the following:
• Following are detailed procurement procedures, specifying the person in charge of each step.

<table>
<thead>
<tr>
<th>Position</th>
<th>Work Procedure(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Involved Program Manager</td>
<td>Prepares a purchase request specifying the required items and amounts, signs the request and sends it to the Finance Officer.</td>
</tr>
<tr>
<td>Finance Officer</td>
<td>Reviews the purchase request, and certifies that the budget is sufficient, before the Deputy Executive Director's or higher level approval.</td>
</tr>
<tr>
<td>Project Manager or relevant</td>
<td>If procurement value is categorized under shopping process, then shopping is done, and the person involved documents the process with the shopping form.</td>
</tr>
<tr>
<td>Program Manager</td>
<td></td>
</tr>
<tr>
<td>Finance Officer</td>
<td>If procurement value requires price offers, prepares price offers request determining all specifications and sends the request to vendors to provide pro forma invoices or other cost estimates.</td>
</tr>
<tr>
<td>Internal Procurement Committee</td>
<td>When required, analyzes the offered prices and selects the suitable vendor.</td>
</tr>
<tr>
<td>Finance Officer</td>
<td>Prepares and signs the purchase order. The original copy is sent to the vendor.</td>
</tr>
<tr>
<td>Office Manager</td>
<td>Reviews the invoice and reconciles the amounts and specifications to the purchase order and ensures the following:-</td>
</tr>
<tr>
<td></td>
<td>• Invoice clerical accuracy.</td>
</tr>
<tr>
<td></td>
<td>• Existence of authorized vendor name and number on the invoice.</td>
</tr>
<tr>
<td></td>
<td>• The invoice is original.</td>
</tr>
<tr>
<td></td>
<td>• The invoice is in compliance with purchase order.</td>
</tr>
<tr>
<td></td>
<td>• Prices presented in the invoice are in accordance with the price offer.</td>
</tr>
<tr>
<td></td>
<td>• Invoice submitted specified the name of organization.</td>
</tr>
<tr>
<td></td>
<td>• Procurement was done from the vendor selected during procurement process.</td>
</tr>
<tr>
<td>Project Manager or relevant</td>
<td>Receives procurements, reconciles the items received with purchase request and signs a receipt form to prove receipt and provides to Finance Officer for filing.</td>
</tr>
<tr>
<td>Program Manager involved</td>
<td></td>
</tr>
<tr>
<td>Finance Officer</td>
<td>Maintains procurement records including purchase requests, purchase orders, shopping and price analysis, invoices and receipts.</td>
</tr>
</tbody>
</table>

• Related forms and documents
  o Pre-numbered internal purchase request.
  o Price offers request.
  o Purchase request
  o Purchase order.
  o Price offers analysis form.
4.20.6. Bids

This section is related to procurements above $3001. MCT maintains a high level of professional ethics when requesting for, evaluating, and awarding a bid. If a bid is requested, bids or price offer requests will outline all required specifications that a prospective vendor should meet in his/her offer. The bid is awarded considering best prices and quality. Price offers or bid request orders should include the following:

- An accurate description of required specifications to ensure fair competition.
- Description of required technical requirements to comply with, if any.
- Special specifications to be met.

- The bid is awarded to the vendor who complies with contract's covenants and circumstances considering his/her credibility, past record and quality of work.
- Documentation of any price studies conducted will be maintained in procurement files.
- Large purchases procedures are documented and maintained in a special file including at least the following:
  - Basis of awarding the vendor.
  - Justifications for not asking for price offers if applicable.
  - Basis of prices and cost analysis.

- Members of the Internal Procurement Committee shall declare any possible conflicts of interest in accordance with the policy in sections 3.10 and 5.17.2 of this manual.
- MCT will advertise the request for bids publically and in the media most appropriate (newspaper, email list-serves, website solicitation, etc.) to the goods and/or services being requested. The Internal Procurement Committee will make the determination on a case-by-case basis.
- Following are detailed procedures of request for bid specifying the person in charge of each step.

<table>
<thead>
<tr>
<th>Position</th>
<th>Work Procedures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deputy Executive Director</td>
<td>Verifies the legal status of the bidder.</td>
</tr>
<tr>
<td>Involved Project Manager or Program Manager</td>
<td>Provides specifics of bid request to the Internal Procurement Committee.</td>
</tr>
<tr>
<td>Office Manager</td>
<td>Receives and numbers bid envelopes and provides to Internal Procurement Committee on opening day. Checks that the received envelopes are sealed, stamps the envelop with date and time of receiving it, signs under the stamp and asks the company's representative to place the envelop in a closed box</td>
</tr>
<tr>
<td>Involved Project Manager or Program Manager</td>
<td>Acknowledges receipt of the bid and maintains communications with the bidder throughout the process.</td>
</tr>
<tr>
<td>Internal Procurement Committee</td>
<td>Evaluate bids and consider according to the following procedure:</td>
</tr>
<tr>
<td></td>
<td>- All members sign and date all envelopes.</td>
</tr>
<tr>
<td></td>
<td>- Opens all envelopes and number the documents in the same manner.</td>
</tr>
<tr>
<td></td>
<td>- Minutes of opening the bids should include the following:</td>
</tr>
<tr>
<td></td>
<td>• Bid's name and number.</td>
</tr>
<tr>
<td></td>
<td>• Name of project and donor &quot;if any&quot;.</td>
</tr>
<tr>
<td></td>
<td>• Time and date of opening the bid.</td>
</tr>
<tr>
<td></td>
<td>• Names of bid committee members.</td>
</tr>
<tr>
<td></td>
<td>• Names of participating companies and offered prices.</td>
</tr>
</tbody>
</table>
• Remarks.
• Committee's decision.
• Time and date of closing the minutes of meeting.
• Signatures of committee members.

- Unqualified companies are excluded due to the following:
  • Required guarantees were not provided.
  • Offer was not clear, including crossing out numbers.
  • Offer was not in compliance with Bid conditions.

- Bid is awarded at the same time committee opens the envelopes and studies the offers unless specialized committee decisions is needed, then the decision is taken in subsequent date.
- If the bid is awarded directly, then the Finance Officer is informed immediately.

4.21. Complaints Handling Relating to Procurement and Grant Funding Processes
This Complaints Handling Procedure applies to complaints received in relation to MCT’s procurement exercises and grant funding administration, including the conduct of the procurement and grant funding selection processes and its outcome. The process for dealing with disputes which arise during the Agreement period is dealt within the individual grant agreement/contract and is further clarified in MCT’s contracts policy and therefore is not covered below. MCT values complaints as opportunities enabling the Organization to provide suitable remedies to the issues raised in each complaint, and to evaluate and improve its procurement and grant funding processes.

### Guiding Principles

| MCT must have fair, equitable and non-discriminatory complaint handling procedures. | The following process outlines the steps to be taken in the event of a dispute or complaint about MCT procurement or grant funding process. |
| MCT should in the first instance attempt to resolve a complaint internally. | • MCT’s complaints handling process reflects our desire to manage and resolve all complaints internally, where possible, through communication and reconciliation with the vendor/organization. |
| | • In order to lodge a complaint regarding an element of the procurement or grant funding process or its outcome, vendors/organizations should initially raise the issue in writing with the contact person nominated in the bid documentation/grant funding program guidelines. This person, his or her supervisor/manager and the MCT Executive Director will attempt to resolve the issue by holding a discussion with the vendor/organization making the complaint. |
| | • MCT will respond to the vendor/organization in writing outlining the issue that has been raised and MCT’s initial response. MCT’s correspondence will also include an assessment of the complaint and inform the vendor/organization of its options, if it remains dissatisfied with the issue. MCT will ensure that these assessments include all standard information regarding procurement and grant-award making and do so in a unified manner across complaints and |
- Where a vendor/organization remains dissatisfied, it may lodge a request in writing to the Executive Director if it wishes to escalate the issue. The issue will then be examined by MCT’s Governance Committee who will make its recommendation to the full Board on a resolution.

### The MCT Board independent of the initial complaint process should only be involved as appropriate.

The Board will have been, to this point, at ‘arm’s length’ from the complaint and the process or decision in dispute. The Board may wish to examine any bid documentation, grant funding program guidelines or other correspondence from either party in relation to the matter. This will be done having regarded confidential nature of the information.

### Complaints should be dealt with in writing

In all instances, complaints should be issued, and responded to, in writing, with reasonable notice – not less than ten days – provided for each party to respond to the correspondence.

### Each party must have sufficient time to appropriately respond to developments (no less than ten days unless urgent).

All MCT staff and Board members involved in the management of a complaint will ensure the process is applied ethically and professionally according to MCT’s code of Good Employee Behavior and the Board of Trustee’s Deed and Affirmative Standards of Conduct. To this end, vendors/organizations or potential vendors/organizations who initiate a complaint will not be prejudiced with regard to their participation in any future MCT procurement/grant funding selection processes.

### MCT must ensure that the initiation of a complaint process does not prejudice a vendor/organization or a potential vendor/organization’s participation in future procurement/grant funding selection processes.

- Vendors/organizations may seek or request external review of a complaint where it has not been satisfactorily resolved through MCT’s internal mechanism.
- Complaints may be made to the Secretary of the FSM Department of Justice (DOJ). The DOJ has the power to investigate about the actions and decisions of MCT’s compliance to FSM laws and regulations. The Secretary or his/her appointee aims to resolve matters by negotiation and persuasion and may make recommendations to the MCT in the context of continuous improvement to its administrative processes.
- The Secretary of DOJ or his/her appointee cannot overturn MCT’s procurement or grant funding decisions, nor specifically direct MCT to vary a decision once made, unless it is in clear violation of the law in which instance a case may be filed against MCT. However, their comments on the dispute may influence MCT’s response.
- If the Secretary of the DOJ or his/her appointee decides not to investigate a particular complaint, the complainant will be provided with reasons for this decision and the Secretary of DOJ or his/her appointee may be able to suggest other avenues for resolving the

### External options are available if independent review of a complaint is necessary.
Court system
- Vendors/organizations may seek review of the matter through the Court system.
- The agency and complainant will need to seek independent legal advice about pursuing resolution through the courts.

As may be required by law, all relevant documents pertaining to the complaint will be provided.

4.22. Consultant Services

- All consultants and other contractors will be hired through public advertising and analysis of three or more competitive quotations, when available.
- Staff requesting a consultancy service will submit a copy of the Terms of Reference for the proposed consultancy to the Executive Secretariat for authorization. If authorized, the Financial Officer will approve the advertising expense and will prepare a consultancy agreement, based on the TOR. The contract will be signed by the ED.
- All consultants must sign a contract with MCT outlining their work scope, timeframe, conditions, deliverables and payment schedule. Consulting work will not be started prior to having a signed agreement.
- On February 25, 2010, the Board of Trustees passed resolution number MCTBOTR no.10-002, authorizing the Executive Director to enter into non-competitive contracts for up to $3,000 without specific approval from the Board of Trustees, but still in accordance to MCT policies.

4.23. Corporate Credit Card

The Micronesia Conservation Trust (MCT) has implemented a Corporate Credit Card Program to provide its Executive Director and staff a practical alternative for making business-related expenditures, and to streamline internal expense reporting, recording, and payment processes. The Corporate Credit Card Program enables the Executive Director to make business payments via corporate credit card, as an alternative to requesting vendor payments by check or using a personal credit card. Charges are reviewed each month by the cardholder and MCT’s Finance Officer and allocated to the appropriate account(s) and approved by the supervisor. MCT pays one monthly bill to the bank for charges incurred on all MCT cards. This process is illustrated in the figure below.
The MCT uses Bank of Guam for its Corporate Credit Card Program; the cardholder is issued a VISA or Master card.

4.23.1. Eligibility
Only MCT’s Executive Director is eligible for participation in the Corporate Credit Card Program; other professional and support staff, temporary employees, volunteers, contractors, or trustees will not be issued corporate credit cards. The following eligibility guidelines should be considered before a corporate credit card is issued:
- Employee must be willing to adhere to all program guidelines.
- Employee should travel on MCT business or purchase for the MCT on a regular basis. (Occasional travel or purchases generally do not warrant the administrative burdens associated with the card program.)
- As a guideline, if the employee takes one or more business trips per month or would purchase using a credit card at least weekly, a corporate card might be useful.

4.23.2. Job Changes or Termination
If the Executive Director leaves the MCT or moves to a job for which a corporate credit card is no longer appropriate, the credit card must be surrendered to the supervisor – who is then responsible for notifying the Finance Officer. The Finance Officer will also automatically close accounts when cardholder leaves MCT employment, whether or not the card has been surrendered.

4.23.3. Acceptable Use of Card
MCT cards are to be used for business purposes only. Use of the corporate card for personal expenses is prohibited. For additional guidance on acceptable expenditures and related procedures (such as who may review/approve expense reports), refer to the MCT Employee Manual and the Operations Manual. There are limits on the types of transactions which may be charged to a corporate credit card. It can be used when traveling on MCT business, or when purchasing items solely for MCT use. Particular care should be exercised when using the card for internet purchases; such purchases should be pre-approved with a certified and signed Request for Payment Form and can only be made from well-known sites with appropriate security measures in place. For tips and guidelines to protect oneself, refer to the Guideline provided by the Bank of Guam.

4.23.4. Credit Limit
The total amount of available credit (credit limit) is at $7,000. The overall credit limit is based on MCT’s corporate card billing cycle. The billing cycle ends on the 15th of each month.

4.23.5. Allocation and Approval of Expenses
While charges should always be allocated as soon as reasonably possible, certain deadlines must be routinely met.
- All charges must be submitted by the cardholder and approved by the cardholder’s supervisor within 30 days of the transaction’s post date.
- Consistent with existing Standard Operating Procedures, expense reports must be reviewed and certified by the Finance Officer and approved by the cardholder’s supervisor.

4.23.6. Required Documentation
Receipts will be attached to each expense report. The Finance Officer and supervisor should examine the supporting documentation for the expense report (receipts) while s/he is reviewing and approving the report. See sections 4.13.11 and 5.14 of this manual for guidance.

4.23.7. Loss, Theft or Fraud
The cardholder is responsible for protecting his/her corporate card against fraudulent use or use inconsistent with MCT’s card program guidelines.

- Cardholder is also responsible for reporting lost or stolen cards promptly. The cardholder shall secure and protect the card and card number as he/she would their cash or credit card(s).
- The cardholder must immediately report lost or stolen card to the Bank of Guam at the following phone numbers: 1-800-556-5678 (24 hours/day, 365 days/year). Dial the non toll-free number 671-472-5300 if calling from outside the U.S.
- At the first opportunity during normal business hours, lost or stolen cards should also be reported to the supervisor of the cardholder and to the Finance Officer.

4.23.8. Disputes and Billing Errors
The cardholder, with assistance from the Finance Officer, is responsible for contacting the vendor to resolve any disputed charges or billing errors. If the matter is not resolved with the vendor, the cardholder should contact Bank of Guam for assistance to place the item in dispute.

- To dispute a charge, the cardholder shall contact Bank of Guam by calling the phone number on the back of the card.
- The dispute process can take up to 8 weeks.
- Disputed charges must still be submitted and approved on an expense report within 30 days of the transaction’s post date.
- If the dispute is resolved in the cardholder’s favor, their account will be credited for the disputed amount.
- The credit must also be submitted and approved on an expense report, allocated to the same center and general ledger account, resulting in an effect of zero.

4.23.9. Refunds and Credits
Vendors will issue credits to the individual credit card account for any item they have agreed to accept for return. This credit will appear on a subsequent statement.

- Under no circumstances should a cardholder accept cash in lieu of a credit to the credit card account.
- Credit transactions should be submitted on an expense report, allocated to the same center and general ledger account as the original transaction.

4.23.10. Acceptable Expense Types
Acceptable expenses include the following: hotel; food; taxi; car rental and fuel for car rental, and; tickets which are not available with Pohnpei based travel agencies on island (i.e. Freedom Air tickets to and from CNMI). All travel purchases must be in accordance with an approved Travel Authorization form. All other items requiring online or off island purchase using MCT corporate credit card must be pre-approved with a certified and approved Request for Payment Form.

4.23.11. Standard Operating Procedure
The Micronesia Conservation Trust’s (MCT) Corporate Credit Card Program enables the Executive Director and the Deputy Executive Director to make business payments via corporate credit card, rather than requesting vendor payment by check or using a personal credit card when appropriate. Cardholders must submit an expense report for all transactions using a system, according to established reporting deadlines in the MCT Corporate Credit Card Program Guidelines.

- On May 13, 2009, the Board of Trustees passed Resolution MCTBOTR no.09-004 approving this Standard Operating Procedure and the MCT Corporate Credit Card Program Guidelines.
and serving as a delegation of authority for cardholder(s) to expend Micronesia Conservation Trust’s funds up to specified limits, for the business purposes specified, and within the parameters of the stated card program rules.

- Corporate credit cards may be used for Micronesia Conservation Trust business purposes only. All cardholders, their supervisors and MCT’s Finance Officer are responsible for monitoring card activity for improper or fraudulent use, and for ensuring compliance with program rules as stated in the MCT Corporate Credit Card Program Guidelines.

4.23.12. **Purpose:** To offer staff a practical alternative for making business-related expenditures, and to streamline internal expense reporting, recording, and payment processes.


4.23.14. **References, Resources, and Explanatory Notes:** Further information on the corporate credit card program can be found in the MCT Corporate Credit Card Program Guidelines.

4.23.15. **Responsible Function/Party:** MCT Executive Secretariat, in consultation with the Board of Directors.
5. **PERSONNEL AND HUMAN RESOURCES**

5.1. **Introduction**
This portion of the Policy and Operations Manual is especially designed to introduce new staff members to MCT operations and to provide both new and incumbent staff members with a ready reference manual on personnel policies and procedures. The purpose of these guidelines is to promote understanding, fairness, and equity through clearly defined and documented employment expectations and operating procedures. Such employment practices serve to enhance communication and promote a healthy and positive working environment. Compliance with stated procedures is expected from all staff members, and it is their responsibility to become thoroughly familiar with all policies that affect them. Ignorance of policies or procedures may not be used as an excuse for non-performance of job duties.

5.2. **Terms of Employment**
MCT employs staff on an “at-will” basis, meaning that MCT is free to discharge individuals for good cause, or bad cause, or no cause at all, and the employee is equally free to quit, strike, or otherwise cease work. Upon hiring, the employee will be provided with a copy of this Employee Manual and required, as a condition of employment, to acknowledge receipt and agree to abide by the policies and procedures herewith, particularly, but not limited to the following sections: 5.92, Notice of Separation; 5.10, Work Hours; 5.13, Performance Evaluation and Salary Increases; 5.17, Code of Good Employee Conduct; 5.26, Disciplinary Process; and 5.26.3, Grievance Resolution.

5.3. **Recruitment Policies and Procedures**
MCT is committed to maintaining a lean administrative structure that employs highly qualified, multi-disciplined, staff willing to work according to the vision, mission, goals and objectives of MCT. MCT is an equal opportunity employer and does not discriminate based on race, sex, religion, or ethnic origin.
- All MCT positions will have a written Position Description and/or Terms of Reference endorsed by the Executive Director and placed on file before recruitment and hiring of any new staff member.
- All employment recruitment is conducted in a transparent manner, with positions advertised as widely as possible in at least one national or regional media outlet, either directly or through a recruitment company.
- For the position of Executive Director or the head of the Management Unit, the Board of Trustees will oversee the recruitment process and make the final selection of a suitable candidate.
- Other positions will be advertised by and under the authority of the Executive Director, who shall direct the establishment of a final selection committee composed of at least three people, plus one representative from the recruitment company involved in the recruitment, if any.

5.3.1. **Additional Procedures in Recruiting Personnel**
- A selection committee, led by the Deputy Executive Director (DED) and in consultation with the Executive Director will be created to screen all applicants for a designated position;
- Depending upon the nature of the position, once selected through the initial screening process, all successful applicants must undertake a test duly approved by the Executive Director;
- After passing the test all candidates must undergo at least one interview by the selection committee;
References for the selected candidates must be followed-up; Tests and other documents used or produced during the screening or selection process must become a part of the candidate’s file; Once selected, an offer must be made officially, in writing, to the successful candidate on MCT’s letterhead and under the Executive Director’s signature; and, Likewise, appropriate notification must be sent also to the unsuccessful candidates within two working days after the completion of the recruitment process A candidate who is discovered to have made any false declaration regarding his/her medical, scholarship, degree, or professional accomplishments, will be dismissed immediately without any compensation.

5.4. Disability Accommodations
MCT does not discriminate against qualified individuals with disabilities in employment-related decisions. A qualified individual with a disability is defined as a disabled individual who, with or without a reasonable accommodation, is able to perform the essential functions of the job. MCT reasonably accommodates qualified individuals with disabilities unless that accommodation would impose an undue hardship on the operation of the Trust.

5.5. Reference Requests
MCT staff members will provide employment references in response to requests from outside MCT only if:
- The person requesting the reference has a legitimate reason to do so.
- The current or former MCT employee has signed and submitted to MCT an authorization that specifically releases MCT from liability in connection with providing employment references.
MCT staff members responding to reference requests, even where former employees have signed reference releases, should limit their responses to objective, fair, and truthful information concerning the person’s performance. It is inappropriate and creates unnecessary risk to discuss information or offer opinions concerning subjective or personal matters.

5.6. Induction & Orientation Procedures
Orientation programs assist new staff in understanding institutional values and culture, and as a result, encourage commitment to the institution. As an ongoing process, orientation begins during recruitment and selection, and continues as needed throughout the individual’s employment. The DED and the new employee’s immediate supervisor are responsible for the development and implementation of individual orientation plans. These plans will:
- Include review and reading of required information
  - TOR and Employee Agreement
  - MCT Policy and Operations Manual
- Introduce employee to MCT history and employee norms and organizational values
- Include program-specific information & procedures
- Orient employee to the relevant human resource and administrative procedures (i.e. timesheets, telephone logs, vehicle use, etc.)

5.7. Separation and Exit Interview
Separation procedures and exit interviews provide terminating employees the opportunity to provide feedback regarding his/her employment. Information collected at employee exit may be used for research purposes, to document the reasons individuals leave employment, to identify
potential problem areas, and to improve personnel practices and the overall work environment and to institutionalize employee knowledge and experience.

- It is the policy of MCT that all separating employees shall complete an Exit Questionnaire and participate in an exit interview. This policy shall apply to both voluntary and involuntary separations. All separating employees shall complete an Exit Questionnaire, available from the DED, and bring the completed questionnaire to the exit interview. This information will be retained in a confidential file, separate from other personnel records.

- Prior to the last day worked, an exiting employee will have an exit interview conducted by the DED and/or the employee’s immediate supervisor.

- Information collected during the Exit Interview Process shall be confidential and will not be used in any way to reflect upon the exiting employee. Employees are encouraged to be candid and to ask any questions they may have regarding their separation.

- The exit interview is intended to give the employee a chance to speak freely concerning reasons for leaving MCT and for documenting lessons learned, current work projects and any other information useful for incoming employees and/or the continued operation of the outgoing employee’s projects and other tasks. This should include:
  - ongoing projects
  - unfinished tasks
  - work plans and
  - other information to assist new personnel with the transition into the position and to ensure seamless operations.

- Upon receipt of a notice of termination or letter of resignation, the employee's supervisor shall schedule a meeting for out-processing activities. The MCT Exit Process Checklist should be used for this meeting and possible follow-up.

5.8. Employee Record
An up-to-date record of every employee’s employment shall be kept by the Deputy Executive Director. This record will include all staff appraisal materials and record of any disciplinary action that may have been taken during the employee’s time with MCT. The Administrative Officer may have access to these records for filing and management purposes. All employees’ records are to be treated as confidential and for MCT purposes only. Other authorized uses may be allowed by the Executive Director only in consultation with and as approved by the employee.

5.9. Categories of Employment

<table>
<thead>
<tr>
<th>Categories</th>
<th>Functions Samples</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managerial Staff</td>
<td>Executive Director</td>
</tr>
<tr>
<td></td>
<td>Deputy Executive Director</td>
</tr>
<tr>
<td></td>
<td>Program Managers (Conservation and Capacity-Building)</td>
</tr>
<tr>
<td></td>
<td>Finance Officer</td>
</tr>
<tr>
<td>Professional Staff</td>
<td>Grants project officers</td>
</tr>
<tr>
<td></td>
<td>Administrative Officer</td>
</tr>
<tr>
<td></td>
<td>Administrative Assistant/Office Manager</td>
</tr>
<tr>
<td>Support Staff</td>
<td>Clerical/Secretarial Staff</td>
</tr>
</tbody>
</table>

5.9.1. Probationary Period
All employees, shall go through a probationary period according to the following categories of positions:

Managerial staff 6 months
These probationary periods begin the first working day of the employee to determine whether or not they fully satisfy requirements of the job.

During the probation period supervisors will monitor performance and give feedback to the staff member verbally.

If requirements are not being met the new staff member will be forewarned in writing and given a reasonable time to correct the deficiencies.

If satisfactory performance is not achieved after written notification and allowance of time to correct the deficiency, the new staff member may be terminated without notice at anytime during the probationary period.

During the probationary period employees accrue annual and sick leave but are not entitled to use it until they have become regular employees of MCT.

### 5.9.2. Notice of Separation

In the event that MCT or the employee makes the decision to separate from each other, prior notice must be given by the relevant party according to the following schedule:

<table>
<thead>
<tr>
<th>Length of Employment</th>
<th>Support Staff</th>
<th>Professional Staff</th>
<th>Managerial Staff</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 6 months</td>
<td>15 days</td>
<td>15 days</td>
<td>15 days</td>
</tr>
<tr>
<td>Six months to one year</td>
<td>30 days</td>
<td>30 days</td>
<td>30 days</td>
</tr>
<tr>
<td>More than one year</td>
<td>30 days</td>
<td>30 days</td>
<td>90 days</td>
</tr>
</tbody>
</table>

In the event that a separation occurs, the employee will be entitled to pay only for the day(s) at work during the duration of the notice period.

### 5.10. Work Hours

- For support staff, a normal week constitutes five (5) working days with a total of forty (40) hours. However, in some cases these hours may be extended and later compensated in terms of time off. A normal working day consists of a total of 8 hours, starting at 8:00 a.m. and ending at 5:00 p.m., with an hour break for lunch from 12 noon to 1:00 p.m. A minimum break of half an hour for lunch is mandatory.

- For professional and managerial staff, “flex-time” is allowable, except that the hours from 9:30 a.m. to 4:30 p.m. shall not be taken off. A normal week constitutes 5 working days with a total of forty (40) hours. A normal working day is 8 hours long.

- After hours work can be expected from all categories during busy periods.

### 5.11. Employment Compensation Policy

There are many factors that go into determining the placement in the salary range and it depends on the individual and his/her qualifications. Placement in range should reflect, current performance rating, trend in performance, level of overall individual competence in relation to job requirements, and budgetary constraints.

- Entry-level employees typically start at the Minimum Level of the salary range.

- The Midpoint Level is paid to seasoned employees with consistent performance who meet all of the expectations of the current assignment and are capable of providing assistance and direction to less experienced staff. The Midpoint Level is competitive pay and is usually reserved for our most experienced and highest performing staff. Therefore at MCT we target
salaries between the Minimum and Midpoint Levels. It is an atypical situation for an employee to be paid at the Maximum Level.

- Maximum Level can eventually be reached by a long time employee who has consistently performed at the highest standards as evidenced in their annual appraisals and salary increases, as well as in concrete benefits to the whole organization.

<table>
<thead>
<tr>
<th>Compensation Philosophy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reflective of market conditions</td>
</tr>
<tr>
<td>Flexible in administration</td>
</tr>
<tr>
<td>Legally defensible</td>
</tr>
<tr>
<td>Complementary with values</td>
</tr>
<tr>
<td>Performance-based</td>
</tr>
<tr>
<td>Internally equitable</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Compensation Program Goals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provide for internal equity and external competitiveness</td>
</tr>
<tr>
<td>Leverage retention</td>
</tr>
<tr>
<td>Make the link between pay, performance and career development apparent to both supervisors and employees</td>
</tr>
<tr>
<td>Flexible &amp; Transparent</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>External Comparison</th>
</tr>
</thead>
<tbody>
<tr>
<td>MCT is a self-funded sub-regional organization with no current equivalent organization in the Micronesia sub-region. The pay rates are designed to:</td>
</tr>
<tr>
<td>Offer salaries attractive within the region</td>
</tr>
<tr>
<td>Not exceed the 50th percentile of the pay rates for similar positions at other organizations in the region based on:</td>
</tr>
<tr>
<td>Job scope</td>
</tr>
<tr>
<td>Job responsibilities</td>
</tr>
<tr>
<td>Educational requirements</td>
</tr>
<tr>
<td>Reflect the financial resources available to fund the positions</td>
</tr>
<tr>
<td>Meet best practices criteria for building compensation programs</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Setting Individual Salaries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Normal practice is to pay for the job, not for qualifications or experiences above what is required</td>
</tr>
<tr>
<td>Even if the candidate’s or incumbent’s skills and experiences are more than required, the mid salary point is the target for seasoned employees with consistent performance who meet all of the expectations of the current assignment and are capable of providing assistance and direction to less experienced staff. Top salary is the range maximum for that job that can only be achieve as mentioned above.</td>
</tr>
<tr>
<td>Certain jobs are available only in larger operating units so advancement may require moving to a different location or position.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>How Does MCT set Individual Salaries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Placement in range should reflect:</td>
</tr>
<tr>
<td>Most recent performance (current performance rating)</td>
</tr>
<tr>
<td>Trend in performance (consistency, improvement or decline)</td>
</tr>
<tr>
<td>Level of overall individual performance in relation to job requirements</td>
</tr>
<tr>
<td>Budgetary constraints</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Summary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Flexibility in design</td>
</tr>
<tr>
<td>Create philosophy to guide structure</td>
</tr>
</tbody>
</table>
5.12. Fees Charged to Outside Parties for Lectures, Training and Consulting

MCT staff members are encouraged to conduct lectures, consultations, seminars, and training sessions concerning topics related to MCT’s conservation and charitable purposes within the constraints of MCT’s Conflict of Interest policy as well as other relevant policies and procedures. These activities play an important role in advancing MCT’s mission. Staff engaging in these activities are deemed to be working within the scope of their employment. Any fees earned on these lectures, trainings and consultations will be deposited into the MCT general account. These lectures, consultations, seminars, and training sessions have to be pre-approved by the DED.

5.13. Performance Evaluations and Salary Increases

Annual performance evaluations will be conducted for each staff member by his or her supervisor or the DED. In the case of the ED, the performance appraisal is conducted by the Board. The job description/TOR together with actual performance as monitored through regular supervision will be used as the basis for writing the appraisals. The performance evaluation process is a collaborative one designed to:

- Upgrade the overall performance of MCT and its capacity to meet its goals.
- Ensure periodic communication between management and employees on job performance and satisfaction.
- Provide the opportunity to review and reassess, if necessary, individual job responsibilities, action plans and objectives.
- Assist employees to achieve the optimum level to job performance and to become as successful as their abilities and aspirations permit.
- Identify training needs and obtain information on an employee’s performance for future consideration.

The performance appraisal will be used as the basis for adjustments in salary. Salary increases are not automatic, but rather they are based on performance and the availability of funds. Salary increases will be awarded according to the outcome of the evaluation process as follows:

<table>
<thead>
<tr>
<th>Rating</th>
<th>Meaning and Salary Adjustment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unsatisfactory</td>
<td>indicates failure to perform the basic functions of the job – 0% salary increase.</td>
</tr>
<tr>
<td>Satisfactory</td>
<td>indicates performance of the basic function of the job and satisfactory accomplishment of pre-stated goals and objectives – 2% salary increase.</td>
</tr>
<tr>
<td>Excellent</td>
<td>indicates performance of the functions of the job beyond expectations and exceeding the pre-stated goals and objectives – 3% salary increase.</td>
</tr>
<tr>
<td>Outstanding</td>
<td>indicates the accomplishment of an exceptional project or program normally beyond the parameters of the normal job functions which make a transformative contribution to MCT – 4% salary increase.</td>
</tr>
</tbody>
</table>

Scheduling of Performance Evaluations will be according to the following pattern.

- **Annual:** Every year, on the anniversary of employment, a written evaluation will be carried out with the employee and his or her supervisor, or the DED, based on the previous year’s work plan (agreed-upon by the employee and supervisor) as compared to actual performance and documented outcomes. The written evaluation form and other documents reviewed during the verbal interview will cover:
o The employee’s strengths
o Limitations on the employee’s performance
o The employee’s most significant achievements
o Areas in which the MCT Management Unit can better support the employee
o The employee’s program goals and activities to implement these goals for the upcoming year
o The employee’s professional development goals for the upcoming year

Upon completion of the interview, the employee and his or her supervisor will agree upon a work plan for the upcoming year. The employee evaluation process will be completed no later than one month after the anniversary of employment of each year and any approved salary increases will take effect the first day of the following month.

5.14. Travel
This section on the MCT travel policy is for general information purposes. The full and current policy is detailed in the financial policies and procedures section of the MCT Operations Manual. All Board members and employees who travel on MCT business must follow the following general travel procedures:

- All travel must be in accordance with MCT’s travel policies and procedures.
- All travel should be arranged and conducted with the aim to achieve the travel objectives at the least cost.
- The Administrative Officer is responsible for making all travel arrangements for Board members, staff and consultants, and for purchasing of air tickets. MCT will pay only for actual costs for lodging, and other travel-related expenses as may be authorized by the Board, with a food allowance stipulated by the Board of Trustees, according to the following general policies and procedures:
  - All travel must be within the authorized budget for the fiscal year, and approved by the DED for employees and others, and by the Chairman of the Board for Board members. In the case of the DED, the Executive Director shall authorize travel.
  - All travel must first be requested on the prescribed form, and shall provide at least the purpose or objectives of the travel, the destination(s) or place(s) to stop at, the expected dates of arrival and departure at each place, and the estimated expenses.
  - All MCT travelers are expected to use the lowest available airfare in economy class on all trips. In making travel arrangements, the Administrative Officer should keep written records of fares offered. Any instance of not using the lowest fare available must be justified and notified to the DED on a Travel Authorization request.

5.14.1. Non-Reimbursable Expenses
The following expenses are normally not reimbursable; entertainment (movies, sports events, etc.), alcoholic beverages, traffic tickets, loss of personal items, and purchase and development of films unless photographs are to be used by MCT and approved in advance by the Executive Director.
5.14.2. **Non-Staff Travel**
Consultants and other persons that may be authorized to travel on MCT expenses are subject to the same policies and procedures set out above, or in the future, for MCT staff and Board members.

5.14.3. **Submission of Expenses and Clearance of Travel Advances**
The traveler must submit a Statement of Travel Expenses within 5 working days of completion of travel. The balance of any unused travel advance must be paid in cash or check upon submission of the statement. If expenses have exceeded the advanced amount and such additional expenditure has been authorized, the statement will be processed as an invoice and remittance made to the traveler.

5.15. **Statutory Benefits**
5.15.1. **Annual Leave**
In order to ensure that employees maintain optimal levels of health and job performance, MCT requires that all employees take annual leave to which they are entitled.
- Annual leave accrues at the rate of 1.25 days per month for a total of 15 working days per year.
- An employee may take leave only after the completion of his/her probationary period and with the express approval of the Deputy Executive Director (DED), and the ED in case this involves the DED.
- Annual leave can be accumulated up to 30 days; thereafter, it will be liquidated. No cash payment will be made for any remaining balance of annual leave that may be left at the renewal of a contract. In the case of separation, however, the employee shall be paid the appropriate amount of annual leave.
- Annual leave must be pre-approved by the DED, except in the case of emergencies or other unforeseeable circumstances. In these cases, the employee must make every reasonable effort to inform the DED of the absence and of the reason for it as soon as possible.

5.15.2. **Public Holidays**
MCT will observe the following public holidays observed by the FSM National Government and the State of Pohnpei. It may also allow those employees from the other three FSM States to take time off with pay during the observation of their respective holidays:

- **New Year’s Day**
- **FSM Constitution Day**
- **Good Friday**
- **Pohnpei Constitution Day**
- **FSM Independence Day**
- **United Nation Day**
- **Christmas Day**
- **Pohnpei Cultural Day**

Other public holidays that may be observed by the FSM and Pohnpei State, and Municipal Governments where the employee resides.

5.15.3. **Sick Leave**
- Sick leave is accrued at the rate of .5 day per month and can be carried over from year to year not to exceed 12 days total.
- No sick leave can be advanced at any time.
- Every absence due to illness must be communicated to MCT and, when longer than two consecutive days, must have a signed certification of a bona fide doctor, to be covered under the sick leave policy.
• Likewise, any absence that may be anticipated to be longer than two consecutive weeks due to illness, as certified by a bona fide doctor, must be communicated to MCT, with the understanding that a temporary or permanent replacement may be sought.
• No unused sick leave will be paid in cash by MCT upon separation for whatever reason.
• Part time staff are entitled to sick leave on a pro rata basis and are required to provide a medical certificate on the same basis as other employees according to the provisions listed above.

5.16. Non-Statutory Benefits

5.16.1. Compassionate Leave
MCT grants employees a maximum of five working days in any period of twelve months, for the following personal or family events:

<table>
<thead>
<tr>
<th>Event</th>
<th>Days off</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wedding of the employee</td>
<td>2 days</td>
</tr>
<tr>
<td>Wedding of one of the children of the employee</td>
<td>2 days</td>
</tr>
<tr>
<td>Death of spouse of the employee</td>
<td>5 days</td>
</tr>
<tr>
<td>Death of a child of the employee</td>
<td>5 days</td>
</tr>
<tr>
<td>Death of a brother, sister, father, mother, father-in-law or mother-in-law</td>
<td>5 days</td>
</tr>
<tr>
<td>Hospitalization of spouse or child</td>
<td>2 days</td>
</tr>
<tr>
<td>Birthday of the employee, spouse or child</td>
<td>1 day</td>
</tr>
</tbody>
</table>

Any other request for leave outside the circumstances outlined above or exceeding the maximum days allowed will either be deducted from annual leave or will be taken as leave without pay. All non-statutory leave must be authorized by the Deputy Executive Director, in consultation with the Executive Director. Unauthorized leave is liable to disciplinary action.

5.16.2. Maternity Leave and Paternity Leave
• Female employees are entitled to 6 weeks maternity leave two weeks before and four weeks after delivery.
• Those employees who will have completed 2 years of work with MCT will be eligible for the following payment:
  o 3 weeks at 80% of the employee’s full salary and 3 weeks at half of the salary.
  o Those who have not completed 2 years of work with MCT will be entitled to 3 weeks at 50% of their salary.
• A mother who is breast-feeding her baby has the right to take an hour’s break each day or one half-hour break twice a day for a period of 15 months from the time she returns to work.
• A male employee who has completed at least 12 months continuous employment is entitled to 2 days paid paternity leave. Paternity leave must be pre-approved by the supervisor or the DED.

5.16.3. Educational Leave
MCT’s success as an organization is contingent upon the highest level of skills and knowledge in its employees. Likewise, individual employee achievement depends upon continuing training and educational opportunities. MCT will allow for educational leave in the case of employees who have completed one full year of employment and who can earn a higher level tertiary degree with a part-time commitment to his or her education. Educational leave may be approved by the DED, in consultation with the ED, in such cases upon determination of the
length of the commitment, and the employee’s ability to complete his or her job-related functions during the course of the class(es) or training activity.

5.16.4. Medical Insurance
MCT will register all employees and their immediate family with MiCare, the FSM national health insurance provider. The employees as well as MCT will pay the insurance basic premiums according to the following formula; 52% by MCT and 48% by the employee. The employee’s share will be deducted from his/her salary. Any additional members the employee may choose to enroll in the plan will be added at his or her own full expense. Each employee is responsible for fully understanding and following the terms of the medical insurance.

5.16.5. Life Insurance
MCT offers enrollment in a group life insurance plan with Moylan’s Insurance and pays for the basic premiums for the $10,000 plan. Any extra individual plan benefit costs are the responsibility of the employee. The Board of Trustees approved this plan during its meeting on November 9, 2011.

5.16.6. Retirement Plan
MCT offers enrollment in a retirement plan similar to a 401K through ASC Trust in Guam. MCT matches employee contributions up to 3% of the employee’s annual salary. The Board of Trustees approved this plan during its meeting on March 12, 2012.

5.16.7. Death of an Employee
In case of death of an employee, MCT will pay the employee’s named beneficiary, the equivalent of one full month of the employee’s salary. In case of off-island death, MCT will pay for the repatriation of the remains to its place of origin. In case of death of a spouse or a child of an employee, MCT will pay the employee a lump sum of $500 to assist with the funeral expenses.

5.17. Code of Good Employee Conduct
In order to maintain a healthy, fair and transparent work environment, MCT expects all staff to adhere to a code of good employee conduct. Without detracting from the employee’s specific terms of reference for employment, all MCT employees shall abide by the following:

5.17.1. General
- Observe appropriate professional dress codes for the MCT office and in other work-related situations.
- Execute his or her duties faithfully and diligently and carry out reasonable instructions from his or her supervisors.
- Refrain from any action that may create discord or disharmony among the employees, and/or among the Board of Trustees of MCT.
- Not engage in other employment during work hours for MCT.
- Not engage in activities that are contrary to the interests of MCT.
- Promote a clean and healthy environment through greater awareness of the environment and respecting the rights of others.
- Respect the work ethics and personnel system of MCT.
- Not abuse any MCT property or entrust the same to anyone for private or illegal use.
- Keep all information received in the course of his or her work confidential and according to MCT policies.
- Respect MCT’s non party political and non sectarian status.
- Refrain from engaging in any political or religious proselytizing or similar activity during MCT working hours.
- Promote transparency in MCT through adherence to standards and practices that are commonly accepted for financial organizations, internationally.

5.17.2. Conflict of Interest
In order to maintain the highest ethical standard for MCT and its employees, the following Conflict of Interest policy applies:
- MCT employees shall avoid all conflict of interest situations involving MCT or its clients.
- A conflict of interest occurs when anyone in an advisory or decision-making role meets any of the following conditions:
  - The person is directly involved in the project, contract, agreement, or conflict to be dealt with, or the person has a direct interest in the matter under consideration.
  - The person’s spouse, parent, child, brother, sister, cousin, or the spouse of any of those relatives, is involved in the project, activity, or decision.
  - There is a blood, marriage or clan relationship with any person involved in the project, activity, resolution or matter under consideration.
  - There is clear friendship or enmity with parties involved in the project, activity, resolution or matter under consideration.
  - There is or has been a professional relationship with any natural or juridical person involved in the project, activity, resolution or matter under consideration.
  - A conflict of interest exists with a third party involved in the project, activity, position, or matter under consideration (e.g. a competing project, activity, or position).
- MCT Trustees and employees shall neither solicit nor accept a direct or indirect gift, services or payment of any kind from any person or organization in exchange for services or materials from MCT. In cases where it is culturally inappropriate to refuse a gift, the said item will be dealt with in the following manner: (1) perishable items – shared with as many people as possible; (2) non-perishable items – used as gift prizes during environmentally related activities (i.e. speech contests, debates, etc...).
- MCT Trustees and employees (this includes volunteers and interns) shall not attempt to gain higher levels of community status (i.e. traditional titles, church positions, membership on a board of an organization) in exchange for services or materials from MCT.

Violation of the Conflict of Interest policy even in the absence of not declaring a conflict of interest is considered a major offence and will be dealt with accordingly under the procedures described in section 17, Disciplinary Process.

5.18. Letterhead
MCT letterhead paper is for the sole use of conducting official MCT business. Staffs are not to use MCT letterhead for personal purposes and correspondence such as writing job applications, references for friends, credit applications etc. Failure to observe this will result in a written warning with disciplinary action.

5.19. Reporting Suspected Violations of Law or Policy
MCT is committed to maintaining a workplace where employees are free to raise good faith concerns regarding MCT’s business practices, specifically: (1) reporting suspected violations of law on the part of MCT, including but not limited to FSM and other relevant country laws and regulations; (2) providing truthful information in connection with an inquiry or investigation by a
court, agency, law enforcement, or other governmental body; and (3) identifying potential violations of MCT policy or procedure, as stated in MCT’s Operations Manual.

- MCT employees have an obligation to report suspected violations of law or MCT policies or procedures. They may do so confidentially by contacting the DED, or ED in the case the DED is suspected of the violation.
- MCT expressly prohibits any form of retaliation, including harassment, intimidation, adverse employment actions, or any other form of retaliation, against employees who raise suspected violations of law, cooperate in inquiries or investigations, or identify potential violations of MCT policies. Any employee who engages in retaliation will be subject to discipline, up to and including termination.
- Any employee who believes that he or she has been subjected to any form of retaliation as a result of reporting a suspected violation of law or policy should immediately report the retaliation to the DED, or the ED in the case the said retaliation is by the DED. Supervisors and managers who receive complaints of retaliation must immediately inform the DED or ED as appropriate.
- Reports of suspected violations of law or policy and reports of retaliation will be investigated promptly and in a manner intended to protect confidentiality, consistent with a full and fair investigation. The DED will conduct or designate other internal or external parties to conduct the investigations. The investigating parties will notify the concerned individuals of their findings directly, and prepare other reports as indicated by the circumstances. A summary of all such reports will be presented to the ED.
- In the event that a report of a suspected violation of law or policy or retaliation involves the ED, DED or Board of Trustees, those suspected individuals will not participate in the investigation. A special committee will be designated by the full Board to carry out this task in the case the allegation is against a Board Member and/or the Executive Director.

5.20. Whistleblower Protection Policy and Procedure

The Micronesia Conservation Trust is committed to high standards of ethical, moral and legal business conduct. In line with this commitment and MCT’s commitment to open communication, this policy aims to provide an avenue for employees, grantees, local partners and any individual to raise concerns, as well as provide reassurance that the individual will be protected from reprisals or victimization for whistleblowing. This whistleblowing policy is intended to cover protections for an individual if concerns are raised regarding MCT. This includes concerns regarding incorrect financial reporting and unlawful activity.

5.20.1. Harassment or Victimization

Harassment or victimization for reporting concerns under this policy will not be tolerated under any circumstance. Any Board member, employee or volunteer who is found guilty of such action will be terminated from MCT immediately in accordance with MCT’s policy on termination. Victimization of whistleblowers is considered a Major Offence, making employees of such subject to immediate termination. Also, any grantee and/or contractor of MCT who is found guilty of such action will be suspended from doing business with MCT immediately.

5.20.2. Confidentiality

Every effort will be made to treat the complainant’s identity with appropriate regard for confidentiality.

5.20.3. Anonymous Allegations

This policy encourages complainants to put their names to allegations because appropriate follow-up questions and investigation may not be possible unless the source of the information
is identified. The confidentiality clause ensures that when a name is included in an allegation, it will remain anonymous to the best of MCT’s ability. Concerns expressed anonymously will be explored appropriately, but consideration will be given to the:

- Seriousness of the issue raised;
- Credibility of the concern; and
- Likelihood of confirming the allegation from attributable sources.

5.20.4. **Bad Faith Allegations**

Allegations in bad faith may result in disciplinary action and may be cause for termination from MCT. Examples of “bad faith allegations” may include accusations made against employees out of spite or malice or those intended to cover the accusers own fraudulent actions.

5.20.5. **Procedure: 1. Process for Raising a Concern**

- **Reporting** - The whistle blowing procedure is intended to be used for serious and sensitive issues. Such concerns, including those relating to financial reporting, unethical or illegal conduct, may be reported directly to the Executive Director at director@ourmicronesia.org or to P.O. Box 2177 Kolonia, FM 96941 or to 691-320-5670. Should the allegation involve the Executive Director, such concerns may be sent directly to the Chairman of the MCT Board of Trustees at TrusteeChair@ourmicronesia.org.
- **Timing** - The earlier a concern is expressed, the easier it is to take action.
- **Evidence** - Although the complainant is not expected to prove the truth of an allegation, s/he should be able to demonstrate to the person contacted that the report is being made in good faith.


The action taken by MCT in response to a report of concern under this policy will depend on the nature of the concern. If it is directed at an employee or volunteer, the Executive Director shall receive information on each report of concern and take action as required in MCT Policies regarding the disciplinary process and respecting the employees’ rights to the grievance process as well. In cases where the complaint is directed to the Executive Director, the MCT Board Executive Committee shall receive information on each report of concern and follow up information on actions taken. When the complaint is directed against a member of the Board of Trustees, the Executive Director will assist with the formation of an ad hoc committee of the Board comprised of members of the Board not implicated in the allegation to take action on the complaint.

- **Initial Inquiries** - Initial inquiries will be made to determine whether an investigation is appropriate, and what form it should take. Some concerns may be resolved without the need for investigation.
- **Further Information** - The amount of contact between the complainant and the person or persons investigating the concern will depend on the nature of the issue and the clarity of information provided. Further information may be sought from or provided to the person reporting the concern. Activities that are not in line with MCT policy, including the Code of Business Conduct; or Other activities, which otherwise amount to serious improper conduct.

5.21. **Discrimination**

MCT will not condone or permit discrimination, including actions that create a hostile work environment, against any employee or applicant for employment based on race, color, religion, sex, national origin, age, disability, sexual orientation, military or veteran status or other protected status. It is the Trust's policy to encourage and support a work environment that respects
differences and provides all employees with self respect, dignity, and fairness. MCT will actively promote diversity in its workforce. Diversity refers to human differences, including those based on culture, race, color, religion, sex, national origin, age, disability, sexual orientation, military or veteran status or other status protected by law. The benefits MCT derives from the diversity of its workforce include:

- A variety of viewpoints and perspectives in decision-making.
- Enhanced innovation and creativity.
- A broad pool of qualified employees.

If any employee feels that he or she has been the victim of discrimination he or she is to immediately report the incident to the Executive Director or the DED. Once the allegation has been made the DED, or the ED in the case the allegation is against the DED, must take steps to investigate the allegation and take the necessary action.

5.22. Workplace Harassment, Prevention and Reporting

MCT will not condone or permit workplace harassment, including sexual harassment that is based on the protected status of any employee. For purposes of this policy, “protected status” refers to an employee’s race, color, religion, sex, national origin, age, disability, sexual orientation, military or veteran status, or any other status protected by law. All members of the workforce, including volunteers, temporary workers, and vendors, are required to abide by this policy. Managers are responsible for communicating and enforcing this policy.

5.22.1. Definition of Harassment Based on Protected Status

Harassment based on protected status is harassment that is motivated by an individual’s race, color, religion, sex, national origin, age, disability, sexual orientation, military or veteran status, or any other status protected by law. Prohibited harassment is conduct that is unwelcome and/or personally offensive, or that interferes with the performance and effectiveness of the recipient and/or creates a hostile work environment. Harassment may take the form of offensive or demeaning communication, such as comments or “jokes,” emails, or displays of materials. It may also take the form of supervisory behaviors that are based on the recipient’s protected status rather than on legitimate performance-related factors, such as holding a member of a protected status to a higher level of performance or setting other inequitable expectations. Note that it is not harassment to hold an individual to the terms and conditions of his/her employment or to discipline for performance deficiencies.

5.22.2. Definition of Sexual Harassment

Sexual harassment is a specific form of harassment referring to repeated behavior of a sexual nature that is unwelcome and/or personally offensive, and/or that interferes with the performance and effectiveness of the recipient, and/or creates a hostile work environment. Sexual harassment can be committed by a supervisor, co-worker, volunteer or vendor. Sexual harassment may occur between individuals of the opposite gender or of the same gender. Unwelcome sexual advances, requests for sexual favors and other verbal or physical conduct of a sexual nature constitute sexual harassment when one or more of the following is true:

- Submission to such conduct is made explicitly or implicitly a term or condition of an individual's employment;
- Submission to or rejection of such conduct by an individual is used as a basis for an employment decision affecting such individual; or
- Such conduct has the purpose or effect of unreasonably interfering with the employee's work performance or creating an intimidating, hostile, or offensive working environment.
• Such conduct has been repeated after receiving notification from the recipient that the behavior is offensive and unwelcome.
• Sexual harassment may be overt or subtle, and may consist of various physical behaviors and verbal and non-verbal communications, such as sexual innuendoes, suggestive comments, jokes of a sexual nature, sexual propositions, threats; display of sexually suggestive objects, cartoons, or pictures (including at one's work station or on a computer used in the office), graphic commentaries; impeding or blocking normal work or movement; suggestive or insulting sounds, leering, whistling, obscene gestures; unwanted physical contact, touching, or pinching.

5.23. Smoking and Chewing of Betel nut
MCT provides a smoke free environment for all employees and clients. Smoking and chewing of betel nut are not permitted inside MCT offices.

5.24. Alcohol and Illicit Drugs
No employee of MCT should be on the job while under the influence of alcohol or illicit drugs to the degree that his or her work performance is adversely affected. Reports of employee impairment on the job due to alcohol consumption will be investigated by the DED, who will report the findings to the ED for disciplinary and/or corrective action. Furthermore, MCT does not pay for alcohol at sponsored functions. Only the Executive Director may authorize an exception to this policy when he/she deems it appropriate.

5.25. Intellectual Property Rights in Materials Created by Employees
MCT has legal rights to work products and materials created by employees when acting within the scope of their employment. These may take the form of copyrights, trademarks, trade secrets, or patents. In the absence of agreement to the contrary, materials developed or conceptualized, written, designed, drawn, painted, photographed, constructed, installed or otherwise produced by employees within the scope of their employment are the sole property of MCT. Since an employee's work will generally be presumed to have been created within the scope of employment, staff members and their supervisors are responsible for having a clear understanding regarding the ownership of work products created outside the normal scope of work. When appropriate, these will be included in job descriptions or letters of employment. In cases where questions may arise, it is the responsibility of the employee to seek clarification from his/her supervisor before beginning work on such materials.

5.26. Disciplinary Process
An employee in violation of any of MCT's policies and procedures will be subject to a warning, suspension or dismissal, as set out herein.

5.26.1. General Process
The following general disciplinary actions will normally apply except in the case of a major offense:
• First violation will result in a verbal warning, the date of which shall be noted in the employee’s file, together with as much details on the case as possible, and copied to the employee.
• Second violation will result in a written warning, again, detailing as much as possible the nature of the violation and what will happen if any more violations occur.
• Third offense will mean a suspension without pay for 3 days with a warning that any further violation will result in a complete termination of employment.

5.26.2. Major Offences
The following are considered major offenses, violations of which are liable to immediate termination of employment:
• Not heeding the warnings for possible termination as set out above.
• False declaration and/or representation in the documents provided during the recruitment process.
• Disclosure of confidential information without proper authorization.
• Theft, willful damage, sabotage or destruction of MCT property.
• Giving or accepting a bribe.
• Failure to disclose a conflict of interest or other violation of the Conflict of Interest policy outlined in sections 3.10 and 5.17.2.
• Fighting, screaming, or shouting, as in anger, at other employees or at superiors.
• Having been proven guilty of financial irregularities.
• Having been proven guilty of administrative irregularities.
• Sexual harassment.
• Repeated acts against instructions from supervisor.
• Repeated absence without authorized leave or reasonable excuses.
• Disorderly conduct due to drugs or alcohol during work hours, at MCT office or at any MCT-sponsored event.
• Having been found guilty in a court of law for any felony charge.

5.26.3. Grievance Resolution
Upon receipt of a written complaint, the DED in consultation with the ED shall, within ten working days, begin taking appropriate actions on the complaint, in accordance with the following procedures:
• All complaints must be clearly stated in writing providing the details of the complaint.
• The concerned employee must be afforded an opportunity to respond in writing to the alleged violation(s), within 15 days of his/her receipt of the complaint.
• The DED in consultation with the ED may establish a committee to review a complaint and recommend possible actions, after which the Executive Director shall make the final decision. In the case of the ED, the Board will make the final decision.
• The DED in consultation with the ED may also utilize other means of resolving grievances including personal meetings, and then settle the matter as he/she may see fit.
• All actions on each grievance case must be recorded and become a part of the employee’s files.

5.26.4. Suspension
An employee can be suspended during the period of investigation if deemed necessary by the DED in consultation with the ED. During the period of suspension an employee will receive a quarter of his/her pay for each pay period covered. If the complaints are dismissed and the employee’s employment status is restored, he/she shall receive the remaining balance of pay and restored to the appropriate salary. Efforts should be made to minimize the length of a suspension by arriving at a decision on the grievance as soon as possible.

5.26.5. Termination
An employee whose employment will be terminated after undergoing the grievance procedures may appeal to the Board of Trustees within 35 days from the receipt of the termination letter.
decision of the Board is final in the MCT grievance process. Any employee dismissed through the disciplinary and grievance procedures set out herein will be forfeited compensation and any other benefits of employment with MCT. As such, the person is no longer employed or affiliated with MCT in any way. The Executive Director or his/her representative is the notifying official on all employee suspensions or terminations from MCT.

5.27. **Internal Communications Protocol**

This policy addition results from the SAP MCT Capacity Goal Communications and Public Awareness Objective 1: By June 2011 Internal communications policies are developed and implemented for Board and Staff Communications (staff/staff, Board/Board, staff/Board). This internal communications protocol is designed to enable effective internal communications to be implemented, evaluated and continuously improved within the Micronesia Conservation Trust. The communications protocol is also intended to control and reduce communication costs. Telephones are the most convenient and fastest mode of communication but for long distance communication, they are expensive. MCT uses other modes for fast communication such as courier, fax or e-mail. Of these, e-mail is the fastest and most affordable. MCT prefers to use e-mail for out of station correspondence to reduce the communication costs. Telephones can be used for local calls and for national & international long distance calls when necessary. Internet service at the office can be used to download and send email and to conduct work-related research.

5.27.1. **General Principles**

- Communication should be succinct, timely and relevant to the audience.
- There should be a clear statement of purpose in what is communicated e.g. for action, information or comment.
- The style should reflect and reinforce MCT’s office culture and Staff Norms;
- Communications should be open but explicit about which issues are confidential and to who and which are commercially sensitive.

5.27.2. **Telephone and Post Guidelines**

MCT provides the following guidelines to its staff to control telephone use.

- Telephone users are requested to keep their conversations short in order to keep the cost down and to keep the lines open for other people in and outside the office that need to use the telephone.
- In general, employees should avoid using phones for non-official calls. Any non-official calls will be billed to employees at prevailing rates.
- All long distance calls and faxes are recorded on the long distance log sheet along with all required information, including purpose of the call. Personal calls will be marked as such and billed to the employee accordingly.
- In order to minimize communication costs, email should be used rather than fax or direct long distance calls whenever possible.
- Copies of all in-coming and out-going official communications (fax, letters sent or received) are logged by the Office Manager. Employees sending /receiving important e-mails are responsible for printing and filing such e-mails.
- The need for official long distance phone calls should be discussed verbally with and approved by an employee’s immediate supervisor, unless exceptional circumstances make this impractical.

5.27.3. **Email Etiquette and Guidelines**
Email is one of the most powerful communication tools available, and when written properly, good Emails are extremely valuable tools. It's all too easy to forget that internal business emails are still business correspondence and not personal messages. Even so, expectations are quite different from formal paper based communications. They tend to be less formal and the usual business requirements are relaxed. This coupled with the ease with which emails can be compiled and distributed means that staff are required to observe some basic etiquette for this type of communication.

- Clearly define the purpose of all email, including any desired actions for the recipient to perform and ask for a response or confirmation.
- Make message simple, clear, and appropriate to the audience. Write using simple, but complete sentences. Omit unnecessary words or descriptions. Also, write with the audience in mind.
- Have something meaningful to say if when replying to email. Don’t just agree with or repeat what someone else has written. Add something constructive to the conversation, whether it’s agreement or disagreement.
- Use humor with care: we don’t all share the same sense of humor. This is particularly important when communicating with people from different cultures and in general when contacting people that you don’t know well.
- Use the "Reply All" function with care. Don’t send your reply to the world. Feel free to edit the number of people on the TO or CC lists if they don’t need to see the information. Also avoid using "Reply All" back to distribution lists unless absolutely necessary.
- Use the "Forward" function with care and keep in mind that others may forward also your email to other readers. Take care to ensure your comments are clear, accurate, and well organized.
- People are inundated with emails every day. To avoid overloading people with information that they do not need, only send the email to people who really need to see it or who have expressed an interest.
- Make the subject line meaningful and obvious so that people can easily identify the content of the email. Ensure that the subject line makes clear the subject area of the email.
- If you are going to use read receipts, let people know. Only use if absolutely necessary, no-one likes to be monitored that closely, though they will probably find it acceptable if the reason has been explained to them.
- Staff should refrain from responding to emails when angry or have just received an email from someone that makes them mad. When drafting a response to such communications, it is also recommended that employees request input and guidance from a supervisor or colleague before finalizing and sending.

5.27.4. Protocol Order of Communications

The Executive Director is primarily responsible for communications between the MCT staff and Board of Trustees. The Deputy Executive Director is responsible for communication with the Board of Trustees regarding voting on resolutions and other administrative matters. The Finance Officer may also contact the Board directly regarding financial management issues and other administrative and logistics matters. In this case, the DED and ED should be copied. In general, other MCT staff do not contact Trustees directly.

5.27.4.1. In general, MCT staff are free to address email and any other communication to any other staff member. All employees are also free to respond to partners with whom they are directly involved in work projects and assignments. Supervisors should be copied and
kept informed regarding questions and issues and items beyond the employee’s level of authority.

5.27.4.2. While MCT encourages open communication, all staff should be careful not to unnecessarily increase the email load for other staff if there is no need to include them in the communications. Because of the open layout of the MCT office, staff are also encouraged to limit the length of telephone calls and to make the most of email, instant messaging and other forms of written communication.