

Effective Business Policies and Procedures

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Overview

- ▶ Benefits
- ▶ Definitions
- ▶ Elements of Policies & Procedures
 - People
 - Technology
 - Process
- ▶ Sample Documents
- ▶ Gotcha's
- ▶ Getting Help
- ▶ Q & A

What a Policies & Procedures Manual Can Do for You

- ▶ Provide a standard
- ▶ Document daily, weekly, monthly activities/tasks
- ▶ Identify key controls
- ▶ Identify IT systems used
- ▶ Control flow of financial information
- ▶ Help provide purpose
- ▶ Set authority and boundaries
- ▶ Mechanism used to test controls

Policies Defined

“Instructions indicating management’s intentions about the functional operations of an organization”

Characteristics

- High level guidance
- Generalized requirements
- Mandatory
- Intended to last many years

Why Develop Policies

- ▶ Help to fulfill purpose and goal of:
 - Organization
 - Management
 - Department
- ▶ Establishing policies leads to development of procedures

Procedures Defined

“Specific operational steps for workers to follow to achieve a certain goal”

Characteristics

- Provide workers specific guidance
- Intended to last fewer years
- Aimed at a narrower audience

Why Develop Procedures

- ▶ Provide a uniform and standard process to:
 - Enhance controls
 - Mitigate risk
- ▶ Provides\establishes continuity of processes and procedures
- ▶ Provides a benchmark to measure against:
 - ▶ Design controls
 - ▶ Processes people follow
- ▶ Procedures are essential to maintaining the effectiveness of internal controls

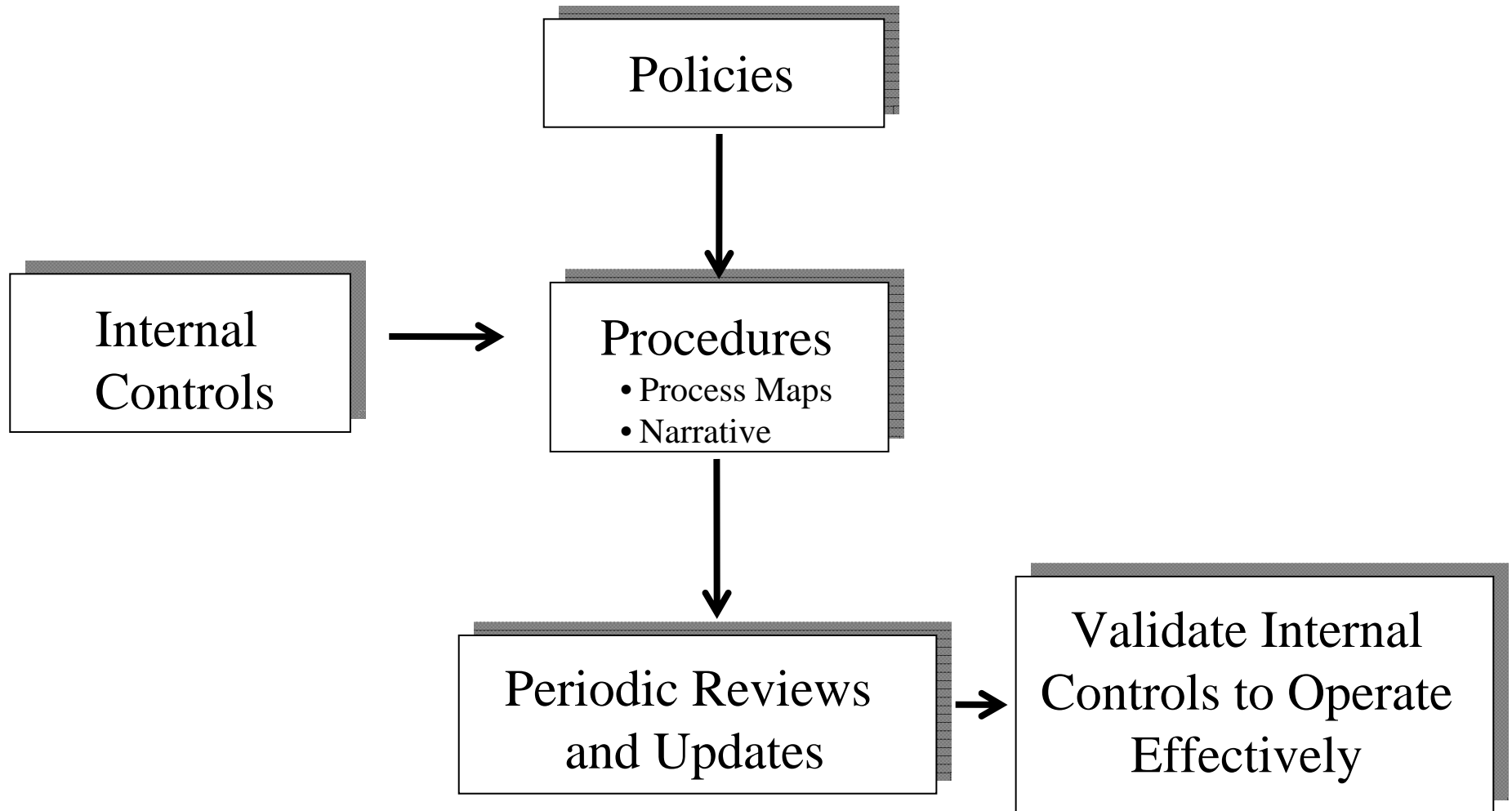
Internal Control Defined

- ▶ Practices, procedures and policies intended to safeguard the assets of the organization from fraud or error and ensure accurate recordkeeping
- ▶ Reliability of financial reporting
 - Achievement of the entity's objectives
 - Effectiveness and efficiency of operations
 - Compliance with applicable laws and regulations.

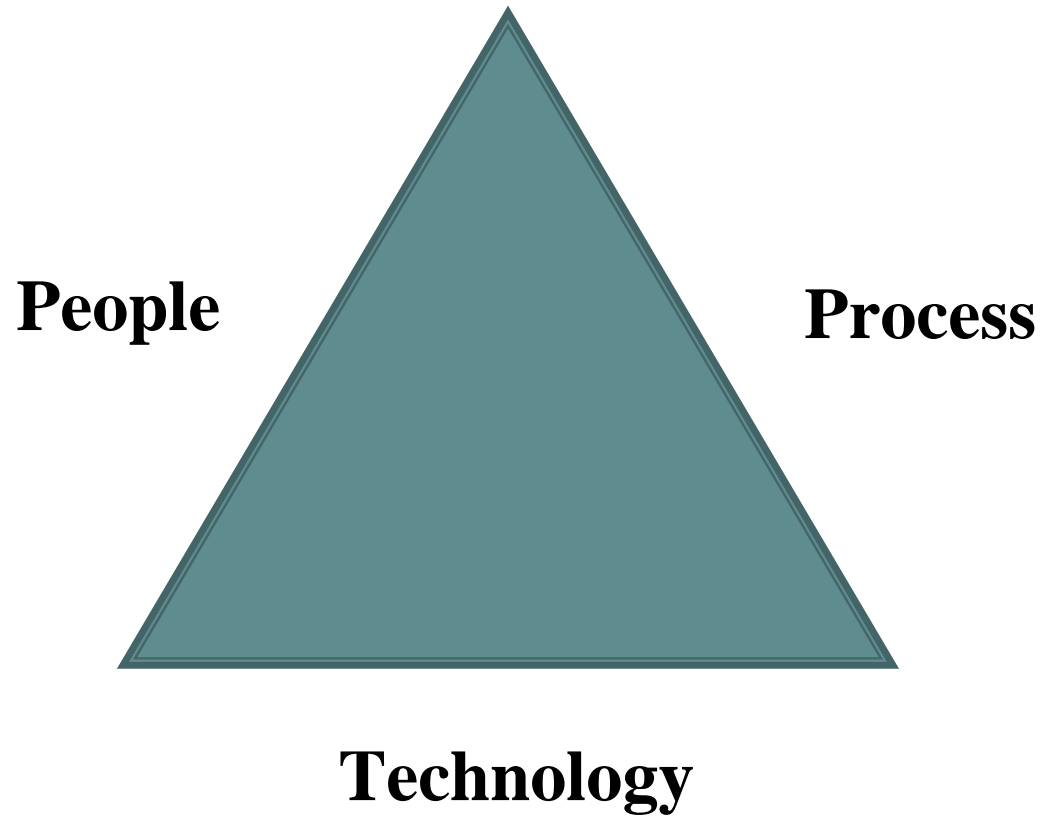
Objectives of Internal Controls

- ▶ Reliability of financial reporting
 - Transparency and lack of material misstatement
- ▶ Effectiveness and efficiency of operations
 - Time and money
- ▶ Compliance with applicable laws and regulations

Integration of Policies, Procedures and Controls



Elements of Policies/Procedures



People

- ▶ Procedures are affected by *people*
- ▶ They must be developed regardless of staff and independent of staff preferences and personalities
- ▶ Not merely policy manuals and forms, but people at every level of an organization

Technology

- ▶ Financial management systems can support, enhance, and enforce internal controls
 - Security
 - Workflow
 - Audit Trail
- ▶ May have holes if technology is not considered
- ▶ Typically underutilized and not integrated into “control” process

Process

- ▶ Detailed steps employees need to follow
 - If it is not documented it does not exist
 - Inability to follow a structured process
 - Inability to test key controls
 - Inability to confirm compliance
- ▶ Should not be too complex
 - Understandable
 - Easy to repeat
- ▶ Must be fully and formally documented
 - (Did I mention documentation?)

Considerations

- ▶ Procedures should be developed considering the business processes across all functions: “end-to-end” process
- ▶ Great time to evaluate ways to improve efficiency in business processes, adopt leading practices / “best practices”

How to Create Policies and Procedures

Define What Policies Need to be Developed

- ▶ Review existing policies
- ▶ Prioritize policies to be developed
- ▶ Modify and identify new policies

Review Current Practices/Workflows

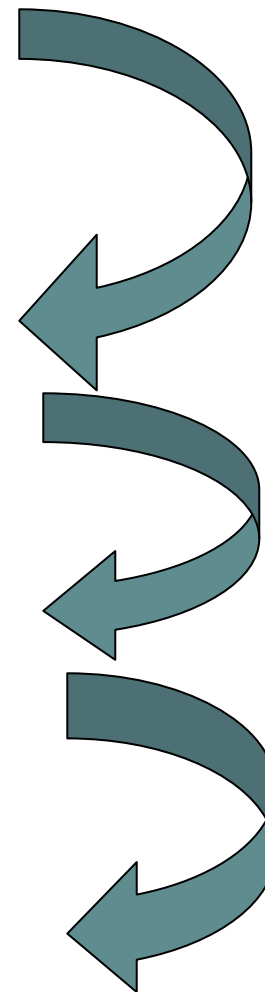
- ▶ Develop process maps
- ▶ Confirm key internal controls

Revise Current Practices/Workflows

- ▶ Revise process maps
- ▶ Confirm/Identify key internal controls
- ▶ Approve revised workflows

Develop Documented Procedures

- ▶ Step-by-step approach
- ▶ Obtain final approval



Elements/Topics within a Manual

1. General
2. Accounting Records
3. Financial Management System (FMS) Administration
4. Budgeting
5. Cash Bank Reconciliation
6. Receipts and Revenues
7. Purchasing
8. Accounts Payable and Expenditures
9. Payroll
10. Financial Reporting
11. Accounting for Grants and Programs
12. Capital Assets
13. Student Activity Accounts
14. And many others.....

Elements of a Policy

- ▶ Policy statement
- ▶ Policy objectives
- ▶ Policy instruments
 - Actions used to carry out the policy

Anatomy of an Effective Policy

- ▶ **Summary:** Good idea to include a summary at the beginning of complex policies
- ▶ **Applicability:** Define “who” the policy applies to. Many policies may not apply to every aspect of an organization, i.e. component units
- ▶ **Definitions:** If there is confusing language, or language that might be subject to misinterpretation consider defining critical terms
- ▶ **Criteria:** Establish the reason for creating the policy: law, legislative oversight, etc.

Anatomy of an Effective Policy

- ▶ **Policy:** Detail the conditions and requisite actions
- ▶ **Responsibility:** Establish who is responsible for monitoring policy
- ▶ **Approvals:** Document who approved the implementation of the policy
- ▶ **Policy “System”:** Formatting, Numbering, Revision Tracking, etc.
 - Consistent system improves usability across all policies

Elements of a Procedure

- ▶ Current process maps
- ▶ Revised process maps
- ▶ Details procedures

Anatomy of an Effective Procedure

- ▶ Step-by-Step detail
 - Consistent approach to information delivery
 - Sample Procedures
- ▶ Picture worth a thousand words
 - Process maps graphically depict the functions or activities performed
 - FMS Screen Shots: Depends on the situation
 - When the FMS screens change, the documents must be updated

Sample Documents

- Accounts Receivable-Private Duty Police Jobs
 - Policy
 - Process Maps
 - Procedures

Sample Table of Contents

Table of Contents

1 Introduction

1.1 Purpose

1.2 Associated Documents

1.3 Superseded Documents

1.4 Standard Definitions

2 Accounts Receivable Overview

2.1 Background

2.2 Police Private Duty Jobs Process Scope

3 Accounts Receivable Policies and Procedures

3.1 Police Private Duty Jobs Billing and Collection Procedure

4 Revision History

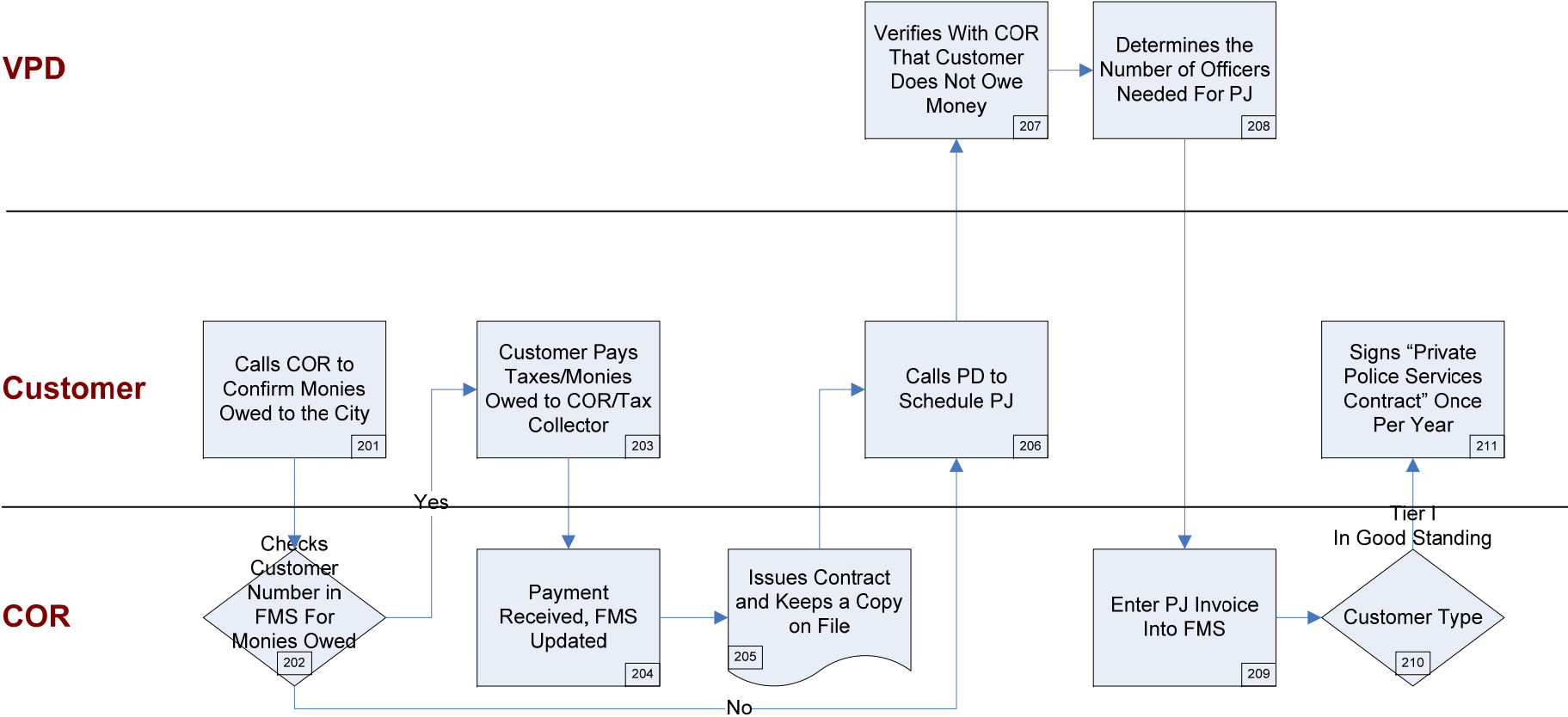
Attachment A - Private Duty Process Flowcharts

Sample Policy

The purpose of this policy and procedure document is to outline the billing and collection processes to be adhered to by the Police Department of the City of Vancouver (VPD) for Private Duty Jobs (PJs) with respect to accounts receivable and cash collection. This documentation will ensure consistency in the application of standards as well as operational continuity. This document will serve as a manual for all employees involved with the PJs accounts receivable processes. Any deviations from this manual should be reviewed and approved by Finance management.

Sample Process Maps

Private Job Prepayment Process: No Permit Required



Sample Procedures

Accounts Receivable Policies and Procedures

Police Private Duty Jobs Billing and Collection Procedure

Permit Required (Construction Job) – Prepayment/Payment Process

- 3.1.1.1 Customers must submit all permit requests to the Department of Public Works (DPW).
- 3.1.1.2 DPW checks the FMS to see if the customer has been given a customer account number. If the customer has not been set up, DPW creates the account number.
- 3.1.1.3 DPW checks in the FMS by Customer account number and Customer name to verify the status of monies owed to the City of Vancouver.
- 3.1.1.4 In the event that taxes or outstanding receivables are owed to the City by aforementioned customer, the application is denied and the customer must pay taxes/monies owed the City.
- 3.1.1.5 A customer must pay the balance of all outstanding debt with the City of Vancouver to the Revenue Management Unit (COR) or Tax Collector's office before the customer may resubmit an application for a permit.

Gotcha's

- ▶ Copying and pasting other community's Policies/Procedures
 - May not include appropriate steps
 - May not help with internal controls
 - Eliminates the process evaluation phase
- ▶ Attempting to be too specific
 - What happens if technology vendor changes screens
- ▶ No ongoing update/review of Policies/Procedures

Getting Help

- ▶ Need executive sponsor
- ▶ Not a one person job
 - Must be a team effort
- ▶ Consider outside support
 - Consultants
 - Regional support



Questions?