

PROCEDURE DOCUMENTATION: FACTS TO KNOW AND UNDERSTAND

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WHAT WE WILL DISCUSS ...

- The importance of documented procedures.
- The basic steps to create the procedure documentation.
- Where do I start? The critical areas that need documentation.



DEFINITION OF PROCEDURE:

○ Webster.com –

- A series of actions that are done in a certain way or order.
- An established or accepted way of doing something.



APPLICABLE TO ACCOUNTING –

- Specific steps used by an entity (School District or ESU) to handle routine accounting matters such as:
 - the handling of cash, petty cash, deposits,
 - credit or purchasing card requirements and guidelines,
 - employee reimbursement of expenses,
 - purchasing methods and approvals, and
 - Request for Proposal (RFP) process – bidding requirements.
- Tools that assist us in our day to day accounting tasks.



IMPORTANCE / BENEFIT OF DOCUMENTING PROCEDURES:

- Maintain consistency – the transaction is handled the same way each time it is processed.
- Details the internal control process used to maintain segregation of duties.
- Gives the auditor an understanding of the business procedure that is used to process a transaction.
 - “The Auditor’s opinion will be based on the documentation you maintain or the lack thereof.”
Deann Haeffner, Assistant Deputy State Auditor



IMPORTANCE / BENEFIT OF DOCUMENTING PROCEDURES (CONTINUED):

- Maintains objectivity – Removes the temptation to “personalize” the handling of the transaction.
 - Example: **Employee:** “Jane didn’t reimburse me for all of my meals because she was upset she did not get to go on a business trip.” **Fact:** Meals exceeded the limit for reimbursement as per policy.
- Provides guidance for staff “filling in” for an absent employee who needs to complete a task that cannot wait until the absent employee returns.
- Serves as a reminder of the process when the task is not a frequent occurrence.



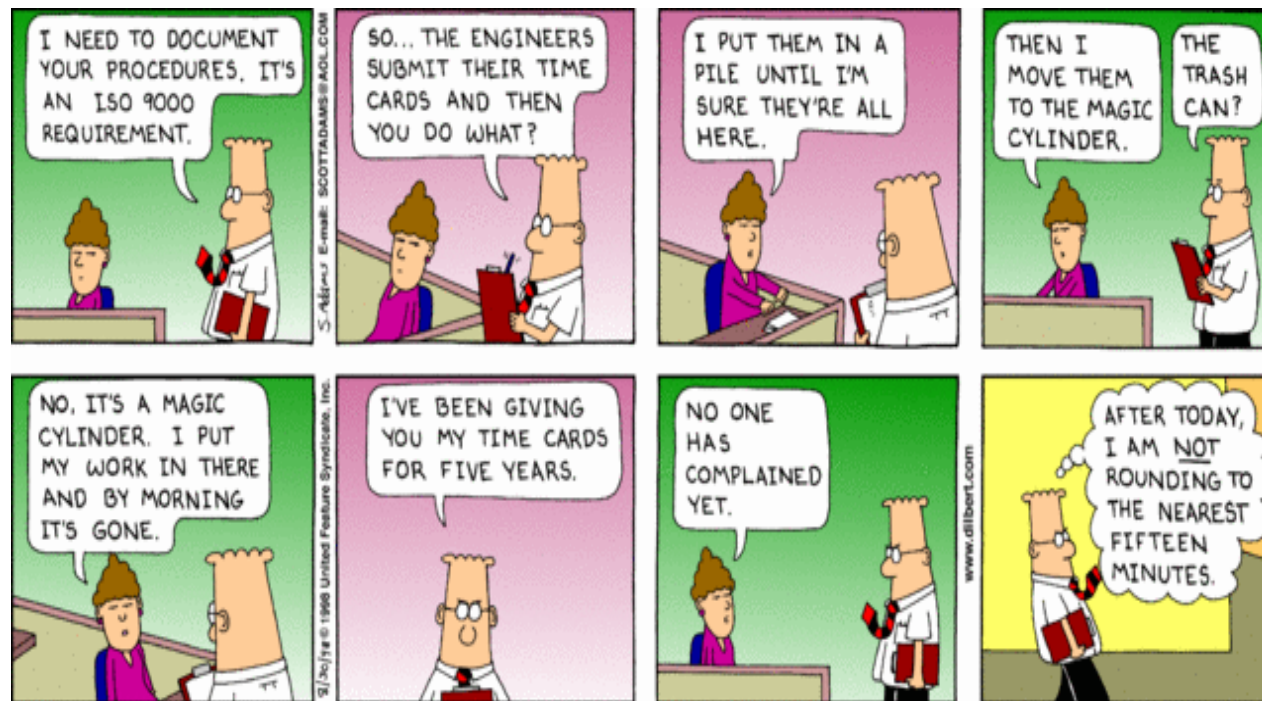
IMPORTANCE / BENEFIT OF DOCUMENTING PROCEDURES (CONTINUED):

- Allows you to track the steps completed on a task. Serves as a checklist.
- Defines the details to comply with a policy. Usually policies are general in nature rather than specific.
- “Documentation, another word for CYA – Cover Your Assets.” *Deann Haeffner, Assistant Deputy State Auditor*



DOCUMENTATION: WHERE DO I START?

A Standard Operating Procedure (SOP) is a document consisting of step-by-step information on how to execute a task.



DOCUMENTATION: WHERE DO I START?

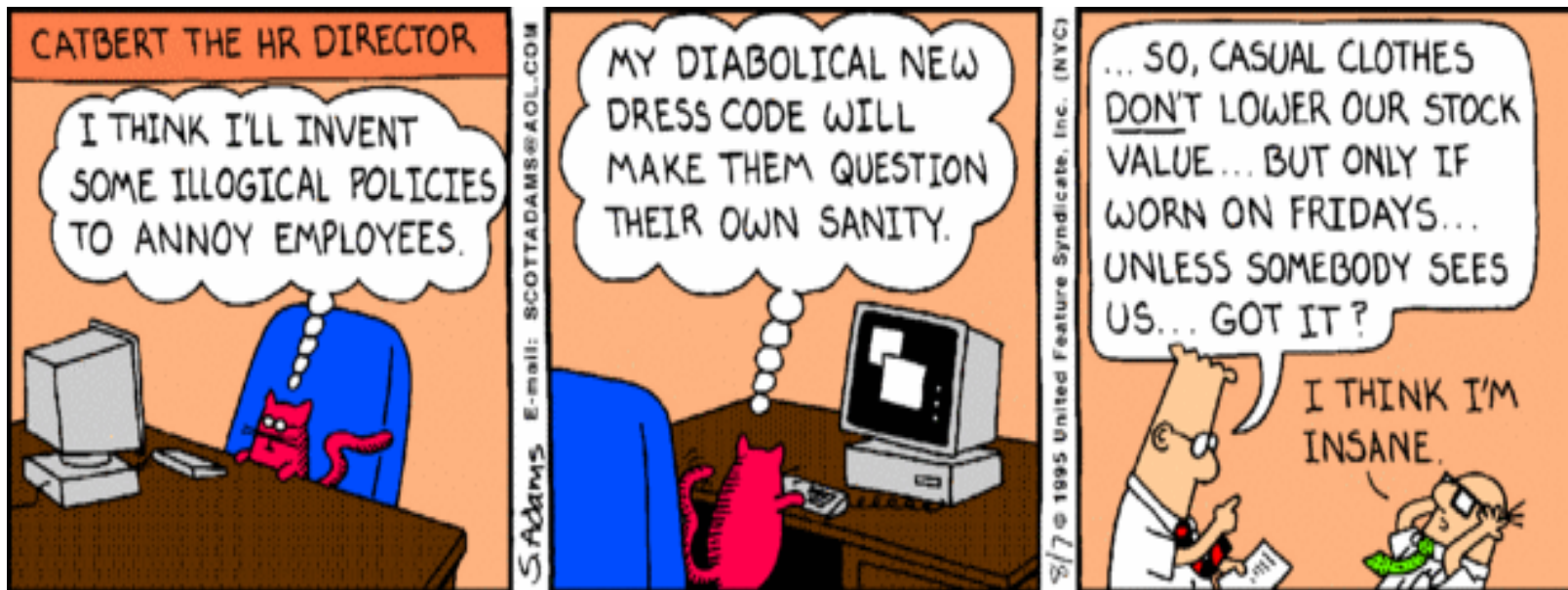
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- Obtain “buy-in” from the administration
 - Visit with those impacted by the procedure.
 - Example: This is what I believe the process is.
 - Is this the process you follow?
 - What do you see that could impact your department?
 - What changes are necessary?
- Show research backing up the procedure requirements.
 - IRS requirements
 - Board Policy
 - State Statute
 - Any other sources



STEPS TO WRITE A PROCEDURE ...

WHAT NOT TO DO



STEPS TO WRITE A PROCEDURE.

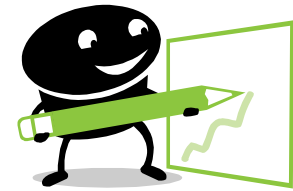


- Check to see if there is a procedure already written on the subject matter.
 - Outdated procedure
 - Check with business people in other districts/ ESUs
- Consider the appropriate individuals that will need to approve procedure once written.
 - Does the procedure intersect with other procedures already in place?



STEPS TO WRITE A PROCEDURE

(CONTINUED)

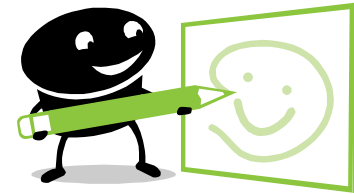


- Write a short introduction section including purpose.
- Visit with personnel that will be involved in the process of the procedure and inquire how they perform their portion of the task.



STEPS TO WRITE A PROCEDURE

(CONTINUED)



- Identify and list the personnel position title(s) and the role/responsibility associated with each position as it relates to the procedure.
 - Flow charts can be a helpful tool to map out the process. From the flow chart, steps can be written into the procedure.
 - Consider all possibilities and decisions. The process should have identifiable starting and ending steps.
 - Include applicable forms, if required, as an attachment to the procedure.
 - Do not abbreviate or use acronyms unless they are defined in the document



STEPS TO WRITE A PROCEDURE

(CONTINUED)



- Circulate the draft to potential users and approvers of the procedure for feedback.
- Once feedback has been received and revisions have been made, obtain approval of procedure.



STEPS TO WRITE A PROCEDURE

(CONTINUED)

- Once approved, determine:
 - Is staff training necessary?
 - Where will the procedure documentation be stored? How will staff have access to the procedure? Handbook, website, server, portal, etc.
 - Should the procedure be re-evaluated in 1 year, 2 years, etc?



DOCUMENTATION FOLLOW-UP

- Schedule a review cycle of procedures to make sure they correctly describe the process.
 - As requirements change, the procedure can “evolve” into something a little different than originally documented.
 - Should the procedure be re-evaluated in 1 year, 2 years, etc?
 - Auditors will review to determine that you are complying with your entity’s written procedures.
 - Evaluate the efficiency of the procedure.



WHERE DO I BEGIN? CRITICAL AREAS REQUIRING DOCUMENTED PROCEDURES

○ **Cash / Accounts Receivable**

- Receipt of cash / accounts receivable – Who makes the deposit? Who processes the deposit and records in the books? Who opens the mail?
- Petty cash accounts – reimbursement, use of cash, check writing, etc.
- Entity cash accounts – Who writes checks, authorizes charges to bank account such as stop payment fee, clears the checks, or reconciles the bank account?
- Generates entity invoicing/billing.



CRITICAL AREAS REQUIRING DOCUMENTED PROCEDURES (CONTINUED)

○ Purchasing

- Who issues a requisition or PO?
- Who is authorized to sign purchasing contract?
- What needs to be documented for a purchase to occur?
- What is the process for bidding out a purchase or issuing a request for proposal?
- Who is authorized to use a credit card for a purchase?
- What is allowable to be purchased with a credit card?
- Tracking inventory or fixed assets – protecting the entity assets.



CRITICAL AREAS REQUIRING DOCUMENTED PROCEDURES (CONTINUED)

○ **Accounts payable**

- Who can approve an invoice?
- What needs to be attached to invoice before payment can be made?
- When can payments be made?
- What are the deadlines to submit invoices for a board check run?
- What types of expenses will be reimbursed to employees?
- Who receives in product ordered and verifies that the order is complete?



CRITICAL AREAS REQUIRING DOCUMENTED PROCEDURES (CONTINUED)

○ Personnel / Payroll

- What is the new hire process?
- Rate change authorization
- Timesheet approval
- Monthly, bi-monthly payroll cycle timeline
- Eligibility for benefits



ANY QUESTIONS?

